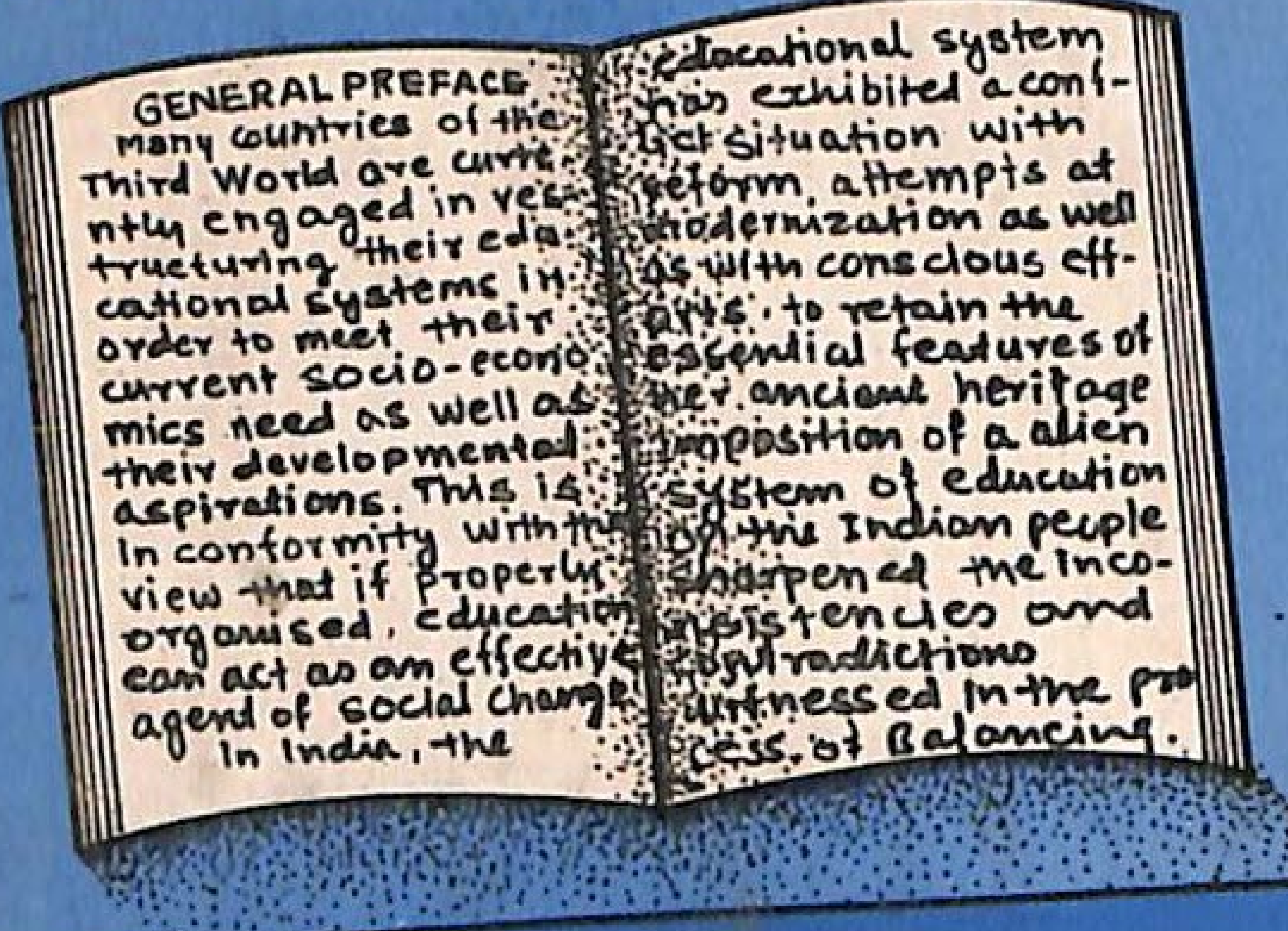
Studies in Educational Reform in India

Volume V

ECONOMICS OF EDUCATIONAL FINANCE

Editor **P.R. PANCHAMUKHI**



GENERAL PREFACE

Many countries of the Third World are currently engaged in restructuring their educational systems in order to meet their current socio-economics need as well as their developmental aspirations. This is in conformity with the view that if properly organised, education can act as an effective agent of social change. In India, the educational system has exhibited a conflict situation with reform, attempts at modernization as well as with conscious efforts, to retain the essential features of their ancient heritage imposition of a alien system of education on the Indian people sharpened the inconsistencies and contradictions witnessed in the process of Balancing.

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Editor
P.R. Panchamukhi

Indian Institute of Education, Pune

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In India, the educational system has exhibited a conflict situation with reform attempts at modernization as well as with conscious efforts to retain the 'essential' features of her ancient heritage. Imposition of an alien system of education on the Indian people sharpened the inconsistencies and contradictions witnessed in the process of balancing these forces working in diverse directions. In such a situation, a need for reforms in education and the society was always felt and efforts were made to introduce them from time to time. Educational reform experiences in India over several decades of the past, present a very interesting story about the dynamics of the Indian society itself. The objective of the present series of *Studies in Educational Reform in India* is to delineate an analytical picture of the conception of a given reform, its formalization, implementation, functioning and finally its culmination in either its success or failure leading to the birth of another reform in some instances. The reforms introduced during the period from 1921 (i.e. after the introduction of Dyarchy) to 1980, and touching almost all the major aspects of education are subjected to incisive analysis in these studies. Basic questions are raised here about the potential of education as a change agent, the interdependence of the socio-economic structure and the reform process and the inevitable complementarity of the conflicts and continuity perceptions about educational change.

The series is divided into five volumes consisting of thirty-three case studies of different educational reforms. The first volume entitled *Perspectives for Educational Reform in India,* presents a socio-economic and political backdrop for the educational reforms attempted during the period 1921-80. The second volume, *Educational Reforms at Different Levels,* consists of twelve case studies of different types of reform tried in different regions of the country during this period. Fourteen case studies are included in the third volume *Reforms Towards Equality and Relevance*. The case studies in this volume discuss reforms to tackle various facets of educational inequality. Also, some case studies analyse the attempts to make education more meaningful and relevant to the needs of the society. The fourth volume in the series consists of the case studies relating to the Medium of Instruction and the Examination Reform at Different Levels. The fifth volume *Economics of Educational Finances,* examines the crucial problems of educational finances which is the instrumentality of reform implementation.

Written by eminent scholars in the field, the contributions to this series can be considered to be pioneering attempts at analysing the dynamics of educational reforms in one of the leading Third World countries. These contributions not only provide insights into the working of a given reform in a particular socio-economic and political context but they also highlight the pre-conditions for the success and causes for the failure of the reform. In this sense, the studies would be of great interest to policy-makers in the Third World countries and also to researchers in the field of educational innovations.

This research project was conceived and formulated by the late Shri J.P. Naik. Till his passing away in 1981, he also guided the progress of this study. Alas, he does not live today to see the successful completion of the study which he so meticulously designed and guided. The Indian Institute of Education remembers with great respect, the contribution of this visionary in the field of social science research.

The project was sponsored and financed by the International Development Research Centre, Canada. The I.D.R.C. has also funded the publication of this series of studies. The Indian Institute of Education wishes to place on record its very sincere thanks to I.D.R.C. for this assistance. I wish to express my special gratitude to Dr. Kenneth King, the then Associate Director, I.D.R.C., for encouraging the Institute to initiate this project. My special thanks are also due to Dr. H. Dean Nielsen, Programme Officer, Social Sciences Division, I.D.R.C. whose sympathies and encouragement enabled the Institute to continue and complete the project despite the two tragic losses in 1981 and 1983 that the Institute had to suffer in the passing away of Shri J.P. Naik and Dr. A.R. Kamat. Originally, it was these two scholars who were to see the project through. Subsequently, the Institute placed the project under the guidance and care of a Committee of Direction headed by Prof. M.S. Gore, who was assisted by Prof. S. Shukla, Prof. C.T. Kurien, Dr. Chitra Naik and Prof. M.P. Rege. But for the organizational steps taken by the Committee of Direction, the project could not have progressed systematically. I express my sincere thanks to all the members of the Committee of Direction.

Apart from its thematic importance, this research project is unique in another sense. It has brought together a large number of eminent Indian social scientists and educationists to present their views on different educational reforms in India. I wish to place on record my special gratitude to the contributors to this series whose names have been listed on the next page. To my colleagues in the Indian Institute of Education, I express my appreciation and thanks for their help and cooperation at different stages of the project. I particularly like to mention the help given by Dr. S.B Gogate and Dr. M.H. Pimpalkhare.

The Himalaya Publishing House, Bombay deserve my special thanks for doing a neat job of bringing out this series within a short time. My thanks are due to Shri D.P. Pandey, Himalaya Publishing House for this excellent production.

It is an interesting coincidence that all our efforts in the past five years have culminated into this publication on educational reforms at a time when the country is planning several reforms in the current educational system and when a political will appears to have risen to implement the reforms. It is hoped that this series of studies would be helpful in our national effort towards planning for a new educational system.

Indian Institute of
Education, Pune

P.R. Panchamukhi
Director.

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Volume V

Economics of Educational Finance —P.R. Panchamukhi

PREFACE TO VOLUME V

Volume V in the series on Studies in Educational Reform in India deals with the crucial question of financing of education. Since different educational reforms may require different magnitudes of resources, trends in educational expenditures may reflect the trends in implementation of the educational reforms themselves. The success or failure of educational reforms may depend not only upon how much of resources are allocated but also upon how these reforms are financed. As the case studies published in the previous volumes have shown, some of the educational reforms in India could not take off effectively mainly for such financial reasons and inadequate planning of educational finances. It is in this background that a detailed analysis of educational finances becomes relevant for our fuller understanding of the educational reforms.

The present study deals with the problem of educational finances in India particularly during the post-Independence period. Non-comparability of data for the pre-Independence period restricted the scope of the study to post-Independence period.

Apart from presenting a factual analysis of the trends and pattern of educational finances for different levels of education, the study attempts to develop some conceptual insights into some of the important sources of educational finances such as fees, donations and grants. On the whole, some of the salient economic aspects of educational finances in India have been analysed in the study.

Educational finances need to be viewed from sociological and political angles also. While the present volume only suggests the possibility of adopting such an inter-disciplinary approach to the study of educational finances, it aims at presenting only some aspects of the economics of educational finances in India.

P.R. Panchamukhi

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CHAPTER ONE

Economics of Educational Finances: Basic Questions

Introduction

Most of the changes in education ultimately get reflected in the volume, composition and mode of financing of educational expenditure. When education in India has witnessed so many changes over the past several decades, one would expect that an analysis of the trends in the volume, structure and mode of financing of expenditures on education would provide an interesting supplementary basis for the analysis of educational reforms themselves. Trends in financing of education may also reflect the reforms or innovations introduced in the modes of educational finance also. Such innovations are also observed on the Indian educational scene, particulary during the period beginning from 1921, when, for the first time, education was transferred to the control of Indian Ministers by the British.

The Objective

The main objective of the proposed study is to present a detailed analysis of the change in volume, composition and modes of financing of educational expenditure in India during the post-independence period.

The Main Questions

In a study of trends in education finances, the following questions deserve to be examined.

(i) Do educational expenditures experience what may be termed as the 'Displacement Effect' implying that major events in education displace the volume and composition of education expenditures permanently until another major event takes place? Is it possible to identify such major events in the field of education in India over the period after 1947? Does expenditure on education (according to different levels) exhibit a cyclical pattern?

(ii) With regard to general state activity, a law known as Wagner's Law of increasing state activity has received general acceptance. Is this trend true in the case of education also? Does the state have a secular tendency to expand with regard to education which may be reflected by trends in public and private expenditure on education? What are the major factors for this trend? Trends in the declining role of private educational finances need to be explained. At the same time, it is necessary to recognize the fact that cost of education has been increasing and the share of private cost in total cost also is showing an increasing trend. Such trends need to be explained.

(iii) Even within public expenditures on education, is there a concentration process, i.e. a process through which the authority to spend, sources of finance and actual expenditures, get concentrated in the Central Government in a federal set-up. Such trends are seen in respect of other types of government expenditures. How far is it true in the case of education in India, even though education, according to the Constitution, was put under the State List and recently in the Concurrent List?

(iv) The question related to (iii) above is regarding the Centre-State relations with regard to the flow of funds for education. How are educational expenditures considered under several Finance Commissions and the Planning Commission? How are the Plan expenditure and non-plan expenditures on education behaving in India? Most of the educational effort in India is under the non-plan account. It is in this context that the approach of the Finance Commissions about education assumes great significance, and the question of link between plan scheme of flow of funds and non-plan scheme of flow of funds for education becomes pertinent. In view of the variety of schemes of the flow of funds, plan priorities on education are likely to be distorted in actual practice. How far has such a distortion taken place due to the peculiar system of financing of development of education in India during the various five-year plans? Analysis of object-wise and level-wise expenditure on education, on non-plan account and plan account separately may provide an interesting insight. In this connection, another question in respect of Centre-State local involvement in educational finances is — is it possible to identify the optimum mix of different layers of government in respect of educational finances? Even though a concrete specification of this optimum combination may not be possible, the study may throw light on the basic factors which need to be considered in determining the role of different layers of government. In the background of this general discussion, observations will be made on the current trends.

(v) Increasing flow of government funds and the grant-in-aid codes have an in-built effect of both discouraging and also encouraging the private effort on education. The very fact that the government has been assuming increasing responsibility for education has displaced private effort. Endowments, donations, etc., which at one time assumed a major responsibility of educational finance, have been drying up. As against this, the system of grant-in-aid — providing for governmental assistance towards recurring needs once the basic infrastructure is created by the private effort — has a tendency to boost the private effort, particularly with regard to capital expenditure on education. It may be interesting to examine the nature of the working of the substitution effect so far as revenue expenditure is concerned, where as there is a complementary effect so far as capital expenditure on education is concerned. In this context, the system of grants in aid for education may be analysed. Effects of these systems on inter-regional equity of educational development may also be examined.

(vi) Why are endowments and donations becoming less and less important as a source of educational finance? A detailed analysis of the selected educational trusts may provide some clues to this question.

(vii) Why are fees declining in importance? To what extent are the reforms of compulsory Universal Primary Education and protective discrimination in education responsible for such a trend? Which are the other factors?

(viii) Even though in actual practice, the public-private sector mix in educational finance has changed in favour of the public sector, is it a desirable trend? This question needs to be examined in the background of the general principles of optimum mix of the two sectors and the nature of education as a merit good Since the nature of education as an economic good depends upon the socio-economic context in which it is supplied, any study of this question has to discuss the question in the context of developing and developed economies separately and then to compare the trends in India in the background of this general discussion.

(ix) Are educational finances outside the framework of formal education? How are non-formal and informal educational activities financed? How are the finances of formal system and outside the formal system related?

(x) What new sources of educational finance can be suggested in the Indian context? How far is it feasible to make the beneficiary sectors responsible for financing of education? It may be interesting to examine the question of industry-education link in this context.

(xi) Can modes of educational finance be used as instruments of educational policy? It is said that elasticity of substitution of enrolment with respect to fees is significantly high in the Indian context. This implies that enrolment flow according to manpower requirements can be controlled by the fee rate variation. It may be interesting to estimate the elasticities of substitution of enrolment in different courses with respect to fees for the different periods under consideration. Some observations may be made regarding the likely trends in the elasticity and feasibility of using the fee rate as a policy instrument.

(xii) With regard to some of the above questions, the study proposes to present a comparative perspective of different levels of education, particularly between higher education, on the one hand, and other levels, on the other. The main purpose behind this comparative perspective is to examine how far the elitist overtones in the educational policy have clearly got reflected in the trends in educational finances.

(xiii) While analysis of aggregative trends in educational finances may provide a good understanding of the educational innovations and reforms, a more useful insight may be developed by disaggregative-institutional level-analysis of finances. In this context, it may be difficult in the framework of the study to present a detailed analysis of institution-wise trends in educational finances as there are basic differences from one institution to another. However, the following aspects deserve a greater attention:

(a) Finances of coaching classes.

(b) Educational quality or standard of teaching and the mode of educational institutions at different levels and the financial autonomy — academic freedom of the educational institution.

(c) Affiliating University as a reform for financial mobilization.

(d) Pattern of educational expenditures in different levels and types of educational institution.

(xiv) What policy implications can be suggested for better educational finances in the future? Analysis of the above questions may provide an insight into the future policy in regard to financing of education.

The objective of the present study is therefore, to examine some of such and related questions and bring out a self-contained compendium on educational finances with theoretical and statistical analysis in the Indian context.

CHAPTER TWO

Educational Finances in India: General Trends

Educational Finances : A Taxonomic Approach

The sixties of this century witnessed a significant development in the field of developmental economics and developmental policy. This development can be termed as human capital revolution, which emphasized the great role that education and other human capital agents play in the transformation of the socio-economic life of the country. In this sense, educational expenditures assumed the role of a policy instrument in realizing these great potentials of education. Even though the question of whether education is a dependent variable continues to be debated, the importance of education as an integrating variable in the process of socio-economic transformation may be generally accepted. Thus, educational expenditures can be taken as a crucial integrating policy variable.

Who should finance these expenditures? Would the integrative role of education be independent of the source of finance? Such questions become important because generally a dichotomy is found to exist between the providers of finances for education, spenders on education, suppliers of education and beneficiaries from education. Each of these four agents in the process of the integrative role of education may have his own contribution to make to this role of education. There seems to be non-neutrality, particularly in respect of the source of funds and spending agents. A taxonomy of some of the different possible cases is mentioned below.

If the sources of funds and spending agents are classified into two categories, public and private, and suppliers of education are the common entities of teachers, and the beneficiaries individuals (primarily) and the society (primarily), then the different sets of classification are as follows:

First Set

Source of Funds	Spending Agency	
	Public	Private
Public	1	2
Private	3	4

Second Set

	Suppliers of Education (Teachers)	
Source of Funds	Public Sector	Private Sector
Public	5	6
Private	7	8

Third Set

	Beneficiaries	
Source of Funds	Individuals	Society
Public	9	10
Private	11	12

In the same way, one may have further sets of classification when different elements of classification are simultaneously linked. Education's role as an integrating instrumental variable is not independent of the way different elements of classification are linked. Thus, education supplied by teachers employed in the public sector institutions, funded totally by public sources and benefiting primarily the society as a whole, would have a different role as compared to the education supplied by teachers employed in the private sector-spending institutions, funded totally by the private sources and benefiting primarily the individuals. The public and private elements in the scheme of classification may be further grouped into their sub-categories. Thus, public sources of funds may be classified according to the layer of the government and other public agencies. Private sources may be classified into the user charges (fees), capitation fees, donations and other sources. Both these sources may be broadly grouped into domestic and external and also according to the administrative categories of plan and non-plan.

While the various items in the above classificatory system exercise their own influence on the process of social change through the integrating agent of education, these items in turn may themselves be under the influence of the socio-economic factors. In order to understand the interaction between the two, the taxonomic approach outlined above may be of some assistance. In what follows, we propose to examine some aspects of this approach in the Indian context.

Educational Finances in India: General Trends

Available data on educational expenditures incurred from the formal sources and made in the formal institutional framework conceal the magnitude of total resource efforts involved in the country for the purpose of education. These unrecognized resources for education, consisting of resources within the institution of family, religious organisations, employing agencies (in the form of learning by doing or on-the-job training), defence services, etc., may be significantly larger than the commonly recognised resources in the formal framework. However, no data are available on such resources in the Indian context. Therefore, we propose to analyse only the data of recognised educational finances.

In the course of a quarter of a century from 1950-51, the total educational finances in the formal sector increased more than eighteen times. When the annual averages of the five quinquennia are compared, we find that the annual average expenditures in the recent period are more than eleven times the average in the first five-year plan period. The average rate of growth of the educational expenditures has been increasing from 74.5 per cent to 90.3 per cent over the different five-year plan periods as can be seen from below:

Total Education Expenditures

Period	*Terminal Rate of Growth*	*Expenditures (Rs. crores)*	*Annual Average (Rs. crores)*	*Quinquennial Average Rate of Growth*
1950-55	44.3	689.33	137.87	—
1955-60	58.4	1203.14	240.63	74.5
1960-65	55.2	2201.11	440.22	82.9
1965-70	62.4	4039.96	807.99	83.5
1970-75	88.3	7689.27	1537.85	90.3

Thus, in the recent period, educational expenditures have increased much faster than during the previous period. Both per-capita and per student expenditures also reveal broadly the same trends (Table on the next page)

A close study of the intertemporal trends in educational expenditures shows that it is during the mid-1960's that the educational expenditures seem to have been displaced to grow faster. Annual averages during the period after 1965 have shot up significantly. It may be recalled that the Education Commission (1964-66) had made several recommendations for a significant expansion in education, particularly at the first and the second levels. These recommendations attracted wide attention of the policy-makers and hence significant increases in expenditures are seen in the latter half of the sixties. Hence, we may say that there was a Displacement Effect in educational expenditures after the Education Commission (1964-66). Even though costing of the recommendations of the Education Commission shows that the Commission itself did not visualise (p. 514 of the Report) any sharp increase in the annual rate of growth of expenditures in the subsequent period (1966-86), in actual practice, however, only the recommendations which were costlier were

Period	*Per Capita Expenditures*				*Per Student Expenditures*			
	Amount Rs.	*Annual average Rs.*	*Terminal rate of growth %*	*Quinquennial average rate of growth %*	*Amount Rs.*	*Annual average Rs.*	*Terminal rate of growth %*	*Quinquennial average rate of growth %*
1950-55	15.37 *	3.84 *	26.0 *	91.9 *	231.99	46.40	–5.4	
1955-60	29.50	5.90	46.1	65.0	308.04	61.61	21.4	32.8
1960-65	48.68	9.74	42.5	64.8	379.06	75.80	10.3	23.1
1965-70	80.24	16.05	50.6		522.07	104.40	41.4	37.7
1970-75	134.46 ++	26.89 ++	68.8 ++	67.6 ++	856.15	171.23	62.9	65,7

* 1951-55

++ Period covering 1970-73 and 1974-76

implemented whereas others which were less costly were not. As a result, the total expenditures got displaced in the post-Education Commission period.*

Another notable feature of the post-Education Commission period has been the significantly powerful inflationary tendencies. The wholesale price index number as well as consumer price index number have registered the maximum increases after 1966, as compared to the previous period. Even though these price trends do indicate the effect of inflation on education expenditures, the wholesale price index number and consumer price index number are not the appropriate price indices to adjust for inflation in the case of education. Since the composition of educational expenditures is different from the one considered under the usual price indices, it is necessary to construct a separate index number of prices relevant to the educational sector. The present state of data on educational expenditures does not permit such an attempt. In general, one may observe that inflationary forces of the mid-60's also caused a displacement effect on education expenditures.

When the educational sector has been experiencing continued expansion, there ought to be certain economies of large scale accruing to the educational sector. Has the Indian educational system been enjoying such large-scale advantages? What is the responsiveness of educational finances to the various scale factors? The following statistical results might bring out some interesting aspects of the educational finances.

When educational expenditures are considered in relation to the area of influence, viz. the population, then we find that expenditures are fairly responsive to the increases in this area of coverage, whether we take per-capita educational expenditures or per student educational expenditures. Their responsiveness with respect to population seems to be much better than to enrolment. Responsiveness of per capita expenditures with respect to population was found to be maximum in the case of government funds and minimum in the case of university funds. By and large, local body funds and endowments and other sources had very small responsiveness to changes in population. The fee sources had a slightly better but still very low degree of responsiveness.

The above results can be interpreted to mean that scale economies are less operative in the case of governmental sources of educational finances. The governmental sources have borne nearly 80 percent of the total educational finances during recent years. This share has increased from 68 percent in 1950-51.

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* For a lucid and objective evaluation of the Report and policies after the Education Commission, see J.P. Naik's *The Education Commission and After* (Allied Publishers, 1982).

India 1950-75

Specified Model	*Constant*	*Regression coefficients (t in brackets)*	R^2 *(F in brackets)*
1. Per-capita expenditure on education = F (total enrolment in lakhs)	- 8.4555	3.7416 (13.09)	0.88 (171.22)
2. Per-capita expenditure on education = F (population in million)	- 43.7734	1.2218 (20.61)	0.9508 (424.79)
3. Per-capita expenditure from government funds = F (population in million)	-36.1349	0.9811 (17.94)	0.9359 (329.69)
4. Per-capita expenditure from local body funds = F (population in million)	-0.9337	0.0343 (13.67)	0.9122 (186.96)
5. Per-capita expenditure from university funds = F (population in million)	-1.0852	0.0252 (6.01)	0.8783 (36.07)
6. Per-capita expenditure from endowments = F (population in million)	-1.5593	0.0517 (13.69)	0.9124 (187.53)
7. Per-capita expenditure from fee sources = F (population in million)	-3.6379	0.1179 (39.13)	0.9884 (153.12)
8. Per student expenditure = F (enrolment in lakhs)	-15.4711	18.3590 (9.80)	0.8067 (95.9[illegible])
9. Per student expenditure = F (population in million)	-201.4484	6.3733 (14.97)	0.9[illegible]6 (224.02)

Even in respect of governmental sources of finance, the states bear a predominant share varying between 91 percent to 94 percent during recent years. While on an average the states spend 22 to 25 percent of their budget on education, the centre spends 2 to 3.3 percent of its budget. The centre's budgetary allocation to education has been increasing gradually. Its share in the total governmental funds for education has also increased gradually from 6 percent in 1968-69 to 9.4 percent in 1978-79, indicating a gradual concentration process in the government sources of educational finances. The recent measure of making education a concurrent subject (whatever be its merits) also points towards the concentration process. This is also clearly evident in the central government's initiative in starting a Navodaya Vidyalaya in each district of the country.

In the background of these aggregative trends in educational finances, an attempt will be made in the following chapters to examine the trends with regard to each source of finance and also different major levels of education. In the course of the analysis of these trends, an attempt is also made to discuss in each chapter the salient theoretical aspects of educational finances and to suggest certain policy measures.

CHAPTER THREE

Fees as a Source of Educational Finances

Education satisfies the characteristics of a merit want good. Different types and levels of education contain different degrees of publicness and privateness; this is reflected in the nature of the provision and financing of education. Education is generally provided both in the institutions managed by the public sector and also the private sector. In the public sector institutions, educational expenditures are mainly financed by government funds. The term 'merit want' connotes deliberate intervention in the consumer preferences by the government. In the satisfaction of this want, government funds flow to finance education provided by the private institutions also, thereby effectively interfering in the private preferences for education. Thus, the funds for education come from both the public sector and the private sector. Under the public sector, different levels of government in a federal set-up assume different degrees of financial responsibility for education. In India, for instance, till recently, education was considered to be a state subject, and more than 60 per cent of total expenditures on education was financed by the state government funds. Particular types and levels of education have been conventionally assumed to be the responsibility of particular levels of government. Thus, primary education is considered to be the responsibility of the local bodies, though they are assisted by the state governments in this task of provision of primary education.

The educational institutions managed by the private sector are financed by the government grants—public sources—and their own sources of finance—private funds. Private funds in turn consist of fees received from the students and the contribution from endowments — private philanthropy—and other sources. Thus the sources of funds for education can be considered under six broad classes as shown in the following chart:

Private Funds		*Educational Expenditures met from Public Funds*			
Fees	Private Philanthropy and other sources	Central govt. funds	State govt. funds	District board funds	Municipal board funds

Organization and management of education is a problem different from that of financing of education. While the former depends upon the institutional set-up that is accepted by the society, the latter depends upon the logic about the nature of education, viz. whether education is a merit want good or a pure private good. Even in countries wedded to free enterprise, the finances for education through private institutions may come from governmental sources. Thus, the extent of the relative importance of public and private funds in different countries is indicated in the following table:

Distribution of Educational Expenditures by Sources in Different Countries (around 1960)

Country	*Percentage of expenditure met from*			
	Govern-ment funds	*Local Board funds*	*Fees*	*Other sources*
Brazil	93.9	6.1	—	—
France	90.2	9.6	0.2	0.0
Germany (FR)	64.4	30.0	1.2	4.4
Ghana	98.2	—	0.9	0.9
India (1961)	68.6	6.6	16.5	8.3
Japan	70.2	22.1	4.4	3.5
Mexico	86.5	—	10.8	2.7
U. K.	17.0	81.8	—	1.2
U.S.A.	36.0	39.8	—	24.2
U.S.S.R.	32.8	60.5	5.1	1.6
Yugoslavia	17.4	76.5	—	6.1

Source: Table XXIV Report of the Education Commissions Supplementary Vol. II,1970.

From an analysis of the trends in sources of educational finances over the period of time, one finds the growing importance of public funds in all countries with different institutional set-up. The following table reflects this tendency of the predominance of public funds in selected countries:

Government Funds as Percent of Total Expenditure on Education

India *(includes local body funds)*

Year	1916-17	1936-37	1946-47	1951-52	1955-56	1960-61	1964-65
	51.6	59.6	59.8	67.7	70.4	74.5	76.6

Mexico

Year	1950	1956	1960	1961	1962
	82.1	82.6	83.4	83.3	83.2

United States

Year	1950	1955	1959	1960	1962
	82.2	82.5	82.6	83.4	83.2

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1. R. A. Musgrave: *Theory of Public Finance*, p. 43.

Declining importance of private funds may be either due to a fall in fees or a fall in the contributions from philanthropy or both. In the present study, it is proposed to examine the importance of fees in the total educational finances in India in the context of different types and levels of education. The study is divided into two chapters. This chapter is devoted to a study of certain general propositions relating to fees using the data for India from 1950 to 1965. In the next chapter, the trends in fees financing after 1965 are examined.

The present chapter is divided into seven sections. Section I discusses the importance of fee incomes in overall educational finances in the country. In section II we analyse the role of fees with different levels of disaggregation. Thus, in 2.1 fees as the source of income for educational institutions classified according to management, the male-female categories of students, types and levels of education offered, are analysed. In 2.2, the incidence of fees is analysed with reference to students classified in different ways. This is called as the income effect of fees. The substitution effect of fees is estimated in 2.3. In section III the importance of fees in meeting indirect expenditures is analysed briefly. Section IV presents an analytical picture of the system of fees as found in different states of the country during this period. In section V an attempt is made to assess the significance of different factors in determining the fee rate and fee income. Personal income and enrolment are considered as two important determinants and their role in explaining fee income is assessed. In the process, we have presented the enrolment elasticities of fee income and the extent of regressivity in the fee rate structure in different types of education. In section VI we discuss some major issues of policy in fee financing of education. In the final section, the major conclusions of the chapter are outlined.

I. AGGREGATIVE TRENDS IN THE IMPORTANCE OF FEES

Fees are in a sense a price for services rendered by the educational institutions. Educational institutions are in a somewhat unusual position of having major sources of income other than the 'price' of their product. The importance of the fee income in the overall incomes of the educational institutions has varied over time.[2] In the past, fees used to be one of the major sources of finance.[3] From 1881 to 1946-47, fees contributed nearly 20 to 30 per cent of the funds for education. From 1948, however, the importance of fees is on the decline. Even though the absolute amount of fee income has increased from Rs. 20.7 crores in 1949-50 to Rs. 88.6 crores in 1964-65, more than a four-fold increase, in terms of its contribution to

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[2] While analysing the statistics on educational expenditures in India, one has to note the limitations of the published data. Firstly, expenditure figures do not have complete coverage of all the educational expenditures. They cover only expenditures in 'recognised' institutions. There are many unrecognised institutions imparting formal education. Many

(Foot note 2 and 3 contd. on next page)

(Foot note contd. 2 and 3)

religious institutions have their own schools and colleges though imparting particular types of instruction. The amounts of expenditures on education made on these institutions are not negligible. Even in respect of 'recognised' institutions, not all expenditure is reported. For instance, the expenditures on 'pension' paid to the retired academic and non-academic staff is not included in the published figures of expenditures in government institutions.

In private institutions also, expenditure on the administration and other expenditures of the societies conducting educational institutions is not included. Secondly, the data do not fully consider expenditure of the Central Ministry of Education, the UGC, the Departments of Education in the states and many other organizations which do not manage educational institutions directly. For a discussion on such and other limitations of educational statistics, please see Report of the Education Commission, Vol. II Government of India.

3. In the Upanishadic days, for example, fees used to be accepted by the teacher from their students. It was in the form of 'Guru Dakshina'. Shikshopanished — आचार्याय प्रियं धनं आहृत्यं... etc. However, no stipulations were made with regard to the amount to be paid. Fee payment was entirely voluntary. Vimanasthana of Charaka Samhita — अनुज्ञातेन प्रक्चिरता त्वया पर्वं गुर्वर्थोपान्वाहरणे यथाशक्ति प्रयतितव्यम्......' (excerpts from the convocation address to the medical graduates): 'While leaving the teacher, with his consent, you should please him with some honorarium according to *your means*'. During the Buddhist and epic periods, when formal schools were started, provision was made for residential and non-residential students; education was imparted free or on stipulation of fees in gold coins (Nishka). The stipulated fees varied in accordance with the means of the pupils. Free students were required to render physical services to the teacher. But gradually, the payment of fees was made formal and compulsory. Thus, apart from the charities of the princes and the rich, the first systematic source of educational finance to develop was the fees. In the British period, the whole process of imparting education and its financing was more formalised. Fisher's Memoirs quoting Thomas Munroe's survey of the state of education in Madras in 1822, state: "The schools are for the most part supported by the fees, varying from one anna to four rupees per mensem; ordinarily about four annas and seldom exceeding half a rupee" However, the purpose of levying fees was not simply to get funds. The purpose was two-fold. Firstly, to get funds for education, secondly to restrict the number of students seeking education, as existing sources of finance would not permit to provide education to many. The fees, in the latter sense, act as a filtration device. Thus, the 1844 Order of the Government of Bengal states: "It is the desire of the Governor that all boys who may come for instruction to these schools should be compelled to pay a monthly sum, however small, for their tuition... The necessity for payment tends to induce more respectable classes to send their children to the government schools which would otherwise be attended by those of the lowest order. It is obviously proper to begin with those who cannot only contribute means for its further extension, but influence others by their example to follow the same course." The 1854 Educational Despatch made levy of fees a condition for grant-in-aid to schools. The Depatch while giving its reasons for this policy, states: "It has been found by experience in this and in other countries, that not only is an entirely gratuitous education valued for less by those who receive it than one for which some payment, however small, is made, but that the payment induces a more regular attendance and greater exertion on the part of the pupils; and for this reason, as well as because school fees themselves, insignificant as they may be in each individual instance, will in the aggregate, when applied to the support of a better class of masters, become of very considerable importance, we desire that grant-in-aid shall as a general principle, be made to such schools only as require some fees, however small, from their scholars."

total educational funds, there is a clear indication of a decline. Thus, the percentage of fees to total educational finances has declined from 20.2 per cent in 1949-50 to 20 per cent in 1955-56, 17.1 per cent in 1960-61 and 16.6 per cent in 1964-65. This percentage fell to 15.3 for the year 1965-66. This shows that the rate of increase in fee income has been less than the rate of increase in total expenditure. During the first five-year plan, the annual rate of increase in the contribution of fees to total educational expenditure was 10.2 percent as against an increase of 10.6 percent in total educational expenditure. During the second and third five-year plans, the annual increase in the contribution of fees was 9.3 percent and 9.2 percent respectively as against the average annual increase in total educational expenditures of 12.7 and 11.7 percent respectively. Trends in per student fee income, however, are different. Per student fee income has increased from Rs. 8.61 in 1949-50 to Rs. 13.14 in 1964-65, a 52.3 percent increase. This may indicate that per student burden of fees has increased during the last sixteen years. However, per student fee burden in real terms has not increased markedly as the table shows.

Per Student Fee Burden

Year	*Money burden*	*Fee burden adjusted with wholesale price indices 1952-53 = 100*	*Fee burden adjusted with consumer price index No. Working class 1949 = 100*	*Fee burden adjusted with consumer price index No. urban non-manual workers 1960 = 100*
	Rs.	Rs.	Rs.	Rs.
1949-50	8.61	—	8.61	—
1950-51	9.13	8.16	9.03	—
1951-52	10.79	10.79	—	—
1955-56	11.14	12.07	11.63	—
1960-61	12.31	9.85	9.92	12.31
1961-62	12.09	9.66	9.51	11.62
1962-63	12.70	9.92	9.69	11.75
1963-64	13.35	9.86	9.74	11.81
1964-65	13.14	8.60	8.36	10.59

The above table presents the fee burden adjusted with different price indices. Money burden of fees from 1949-50 to 1964-65 has an increasing trend with some ups and downs in between. The fee per student when adjusted with the whole sale price index number has slightly increased from Rs. 8.16 to Rs. 8.60 during 1950 and 1964-65. But with the base year (1952-53) figure of Rs. 10.79, there is a declining trend, with few ups and downs. When adjusted with the two types of consumer price index numbers, the fee burden per student shows a declining trend. Even though there may not be an agreement about the choice of a proper price series for adjustment of the fee payment (consumer price series may be felt more appropriate than wholesale price series), the figures show by and large that the fee burden per student has fallen over time.

Overall fee collections for all the institutions taken together have increased from Rs. 23.33 crores in 1950-51 to Rs. 88.56 crores in 1964-65, nearly a four-fold increase. However, when adjusted for price changes, we find that aggregate fee income has arisen from Rs. 20.86 crores in 1950-51 to 57.99 crores in 1964-65, nearly a three-fold increase. Fee collections for institutions show an increase from Rs. 739.71 in 1949-50 to Rs. 1175.40 in 1964-65. The rise in fee collections at constant prices is, however, not very marked as shown in the following table:

Year	*Fee income per institution (at current prices)*	*Fee income per institution (at constant prices)*
	Rs.	Rs. (1952-53 = 100)
1949-50	739.71	N.A.
1950-51	813.19	727.38
1952-53	994.49	994.49
1955-56	1033.80	1117.62
1960-61	1248.81	999.84
1961-62	956.92	764.92
1962-63	1015.26	793.79
1963-64	1190.16	879.64
1964-65	1175.40	769.74

As compared to the base year (1952-53) figure of Rs.994.49, fee collections at constant prices have actually fallen, and there is a declining trend seen with some ups and downs in between. The policy of liberalisation of education, on the one hand, and the continuous expansion in enrolment at all levels of education, on the other, coupled with the continuous price inflation are reflected in the declining importance of fee incomes in real terms when seen both in per student basis or per institution basis.

II. DIFFERENT LEVELS OF DISAGGREGATION

It would be interesting to study the importance of fee income at different levels of disaggregation.

We have considered the institution and the number of students as the two starting points for disaggregation. The following other levels of disaggregation are considered.

Fee Income Per

1. Institution.
1.1 Institution by management.
1.1.1 Institution by management by sex of student.
1.1.1.1 Institution by management by sex of student by levels and types of education.

Similarly, in the case of the number of students also, the four-digit classification can be considered as below :

1. Student
1.1 Student by management of his educational institution.
1.1.1 Student by sex and by management of the institution.
1.1.1.1 Student by sex and by management and by level and type of education

2.1 Institution as the starting point

Per institution and per student fee income data have already been presented earlier. We now proceed to analyse the fee income at different levels of disaggregation. The following table presents data on the per institution fee income according to management.

Fee Income per Institution by Management

Management	*Fee income per Institution (in Rs.)* *1952-53*	*1962-63*
1. Government	538.04	836.06
2. Municipal board	828.00	889.70
3. Private aided	1758.36	1386.49
4. Private unaided	3311.53	6314.50

The above table shows that per institution fee income is minimum for the institutions managed by government and maximum for the institutions of private management receiving no government aid. Private-aided institutions also have a fairly large fee income in both the years 1952-53 and 1962-63. While for all institutions, the average fee income has increased significantly in 1962-63 as compared to 1952-53, in the case of private-aided institutions, a significant decline is observed, indicating probably the influence of the government directive that private institutions receiving aid should not consider the fees as their chief source of income. It may be noted here that the state government prescribes the standard rates of fees for the private-aided institutions. Fee income per institution for the country as a whole was Rs.994.49 for 1952-53 and Rs. 1051.26 for 1962-63. Only private institutions exceeded this figure in both the years. While fee income for private-aided institutions is about 1.8 times and 1.3 times the national average, respectively for 1952-53 and 1962-63, for private-unaided institutions, average fee income is 3.3 times and 6.1 times the national average during the same years.

The table below presents fee income per institution for the second level disaggregation, viz. fee income per institution by management and by sex of students.

Fee Income per Institution for Boys and Girls (Rs.)

Managed by	*Boys*		*Girls*	
	1952-53	*1962-63*	*1952-53*	*1962-63*
Government	556.00 (13.7)	848.00 (9.4)	280.90 (7.6)	734.00 (7.2)
Municipal boards	915.60 (10.9)	966.00 (6.6)	507.60 (5.1)	614.90 (5.2)
Private aided	1672.70 (39.4)	1811.00 (35.3)	2835.00 (40.6)	513.88 (39.7)
Private unaided	3265.90 (62.0)	5835.00 (66.6)	3656.90 (65.3)	11117.64 (69.5)

Note: Figures in brackets give percentage to total direct expenditures.

Fees per institution are the highest for the private-unaided institutions, and lowest for the government institutions except where in the case of private-aided institutions for girls, the average fee income is lowest for 1962-63. For government and municipal board institutions, the average fee income is lower for girls' institutions as against that for boys' institutions in both the years; but for privated-unaided institutions, girls' institutions have a higher average fee income. While private unaided institutions' average fee income is nearly six to seven times that for government institutions in the case of boys' institutions, the average fee income for private-unaided institutions is nearly nine to fifteen times that for government institutions in the case of girls' institutions. Fee income as percent of totat direct expenditures of the institution shows that generally importance of fee income has fallen for boys' as well as girls' institutions over time except for private-unaided institutions, where the importance of fee incomes has risen over the period from 1952-53 to 1962-63.

Fee Income per Institution for Boys and Girls (Rs.)
General Schools

Management	*Boys*		*Girls*	
	1952-53	*1962-63*	*1952-53*	*1962-63*
Government	252.7 (7.8)	320.00 (5.4)	502.3 (7.6)	646.00 (6.6)
Municipal boards	893.3 (10.3)	855.0 (6.0)	513.8 (5.1)	625.20 (5.2)
Private aided	1465.3 (38.1)	2580.00 (32.5)	4247.3 (44.1)	5340.00 (41.3)
Private unaided	2731.5 (64.9)	5230.00 (64.1)	3640.4 (65.8)	1365.76 (71.9)

Note: Figures in brackets give percentage to total direct expenditures.

In the foregoing table are presented average fee income per institution for boys and girls separately with one more level of disaggregation, viz. levels and types of education. The stages and types of education are represented in broad groups as General Schools, Vocational Schools, Professional Colleges, and General Colleges.

Fee income for girls' institutions is generally lower than for boys' institutions, except for private-aided institutions where it is higher. One more significant point is that surprisingly the average fee income for private-aided girls' institutions is even higher than that for unaided institutions.

As in the table below, here also, private-aided institutions have fee income even higher than that for private-unaided institutions, except for the boys' institutions in 1952-53. Fee income has increased fairly significantly for all the institutions over time except for municipal board institutions. The extent of dependence on fee income is higher for boys' institutions as compared to the girls' institutions; the private unaided institutions for boys show greater dependence on fee income than the similar institutions for girls.

Fee Income per Institution for Boys and Girls (Rs.)
Vocational Schools

Management	*Boys*		*Girls*	
	1952-53	*1962-63*	*1952-53*	*1962-63*
Government	1187.3 (3.3)	2901.00 (4.5)	42.8 (0.1)	469.00 (1.6)
Municipal boards	2704.6 (19.0)	2103.00 (6.6)	134.3 (0.8)	12.5 (0.1)
Private-aided	2545.0 (26.9)	12144.00 (33.4)	1776.00 (20.6)	2476.00 (23.4)
Private-unaided	2827.2 (88.0)	4165.00 (88.3)	779.3 (32.4)	1339.97 (41.4)

Note: Figures in brackets show percentage to total direct expenditures.

As between general schools and vocational schools, all vocational schools get a higher fee income than the general schools, except in the case of private-unaided schools for 1962-63 and for all schools for girls in both the years.

When we consider higher education, it is found that in the case of colleges of general education, private aided institutions once again have a higher average fee income (except for girls' institutions in 1952-53) as compared to all the other types of institutions. Except for government-managed institutions and private-aided colleges, there is a general fall in average fee income over time; there is a decline in the importance of fee

Fee Income per Institution for Boys and Girls – General Education Colleges

Management	*Boys*		*Girls*	
	1952-53	*1962-63*	*1952-53*	*1962-63*
Government	61249.4 (32.9)	64509.0 (22.9)	29902.0 (26.5)	51537.0 (22.7)
Municipal boards	50388.5 (74.7)	10393.0 (26.2)	—	—
Private aided	102500.7 (62.7)	136273.0 (56.3)	37920.0 (44.2)	75358.0 (47.1)
Private unaided	85706.1 (74.4)	45808.0 (62.7)	41796.6 (82.5)	23975.9 (47.1)

Note: Figures in brackets indicate percentage to total direct expenditures.

income in total direct expenditures also, except for private aided institutions for girls.

For professional colleges, the average fee income is maximum in the case of municipal board institutions for boys, and in the case of private-aided institutions for girls in 1952-53. There is a general tendency of decline in average fee income over time except in the case of unaided institutions for girls. The extent of dependence on fee income has fallen over time in the case of all institutions except in the case of private-unaided colleges.

Fee Income per Institution for Boys and Girls – Professional Colleges

Management	*Boys*		*Girls*	
	1952-53	*1962-63*	*1952-53*	*1962-63*
Government	45961.5 (16.5)	34800.0 (11.8)	3945.7 (4.2)	2670.0 (4.0)
Municipal boards	153649.0 (37.4)	81977.0 (18.9)	—	—
Private aided	57729.4 (33.3)	52373.0 (30.3)	26940.0 (10.9)	6777.0 (7.6)
Private unaided	64644.3 (66.9)	57728.0 (78.9)	4766.0 (16.6)	9812.6 (55.9)

As between colleges of general education and professional education, the former generally fetches a larger average fee income than the latter except for municipal board colleges and for private-unaided institutions for boys in 1952-53. The extent of dependence of fee income is greater for general higher education than for professional higher education.

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2.2 Incidence Profiles :
Number of students as the starting point

Now, we shall analyse the fee system in India with similar disaggregation with the number of students as the starting point. While fee income per institution indicates the receipt side of the institution, fees per student connote the liability for the student while receiving education, and hence a burden on him. Analysis of the per student fee burden, therefore, has a greater significance, especially from the point of view of the recipient of education, while that of per institution, fee receipts have a significance from the point of view of the supplier of education. Like taxes, price of education, viz. fees, have both income effect and the substitution effect. Substitution effect exists because of the existence of difference in fee rates for different types of education. Even if there were no fee rate differential, and hence no substitution effect, negative income effect does exist in all systems of fees. Obviously, the extent of income effect depends upon the height of the fee rate. Income effect is defined as the reduction of the students' or parents' income by the amount of fee when the fee is paid. Income effect defined in this way depends not only on the official fee rate — height of the nominal fee — but also on some positive items such as scholarships that a student receives or fee concession that is awarded to him. Hence in scholarships and concessions, we have a subsidy or a negative fee levy, which may be termed as an implicit fee which has a negative sign. Effective fee burden on the student is obtained by adjusting the nominal fee rate for this negative implicit fee.

Income effect of fees : Computations

Actual computation of the effective burden of fees faces certain difficulties as with regard to the presentation of data, no uniform practice is followed.[4] Sometimes, a student is required to pay fees to the institution and afterwards he will receive his scholarship or other concessions. The amount of scholarship or concession is reimbursed by the government. In this case, the effective burden or the effective negative income effect of fees should be derived by a simple deduction of the scholarship or concession amount from the fees paid. But under some other schemes, the student is not supposed to pay itself fees if he is entitled to receive full fee concession, or pay only the excess of fees over the concession amount if he is entitled to receive smaller concession or scholarship. In this case deduction is not necessary. Since data are not presented with this detailed classification, it is difficult to compute the effective fee burden. We present the average fee burden per student with different levels of disaggregation. The following table presents a picture of the incidence of negative income effect on studying in different institutions classified according to management.

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[4] Report of the Education Commission, Government of India, Vol. II. p.281.

Per student fee burden (Rs.)

Management	*1952-53*	*1962-63*
Government	6.95	7.30
Municipal board	3.76	3.26
Private aided	19.97	27.65
Private unaided	32.16	51.52

Fee burden is minimum in municipal board institutions and maximum in private unaided institutions in both the years. While the maximum average burden is about eight times the minimum in 1952-53, in 1962-63 it is sixteen times the minimum. There is an increase in the per student fee burden over time in the case of all institutions except for municipal board institutions in which case there is a slight decline. The extent of increase in fee burden is highest for the private unaided institutions (1.61 times) and minimum for government institutions (1.05 times); for private aided institutions, the fee burden per student has increased 1.38 times in 1962-63 over 1952-53.

Incidence of fees on boys and girls is separately presented in the following table:

Per student fee burden for boys and girls (Rs.)

	Boys		*Girls*	
Management	*1952-53*	*1962-63*	*1952-53*	*1962-63*
Government	7.3	7.6	4.2	5.4
Municipal board	4.2	3.5	2.2	2.5
Private aided	19.3	28.0	27.5	25.2
Private unaided	32.0	49.0	33.4	63.6

Minimum fee burden is observed for municipal board institutions and maximum fee burden is observed for private unaided institutions. For private aided and unaided institutions, girls bear higher average fee burden than boys (except in 1962). The average fee burden has increased from 1952-53 to 1962-63 except in the case of municipal board institutions for boys and private aided institutions for girls. Wherever there is a rise, the rise in fee burden is greater in the case of girls than in the case of boys.

In the tables below, incidence of fees is presented with one more level of disaggregation, viz. level and type of education (Tables on the next page).

For general schools as expected, fee burden is maximum for private unaided schools and minimum for government schools except for girls where the minimum fee burden is observed in municipal schools. While the fee burden has increased over time in the case of institutions for girls, for boy's institutions, a decline is observed only in the case of public (government and municipal) schools, and there is a significant rise for private institutions. Generally, girls bear a higher average fee burden than boys. This indeed is ironical in a country where education of girls deserves all encouragement.

Per student fee burden for boys and girls — General Schools (Rs.)

Management	*Boys*		*Girls*	
	1952-53	*1962-63*	*1952-53*	*1962-63*
Government	2.8	2.7	4.0	4.2
Municipal board	3.9	3.0	2.2	2.5
Private aided	13.6	17.8	27.1	29.4
Private unaided	24.9	40.0	30.8	63.3

Per student fee burden for boys and girls — Vocational Schools (Rs.)

Management	*Boys*		*Girls*	
	1952-53	*1962-63*	*1952-53*	*1962-63*
Government	12.6	20.4	0.5	5.9
Municipal board	28.6	18.4	2.5	0.1
Private aided	32.0	98.0	23.4	38.9
Private unaided	39.4	41.8	22.6	37.1

For vocational schools, on the other hand, boys uniformly bear a higher fee burden than girls. There is an increase in the fee burden for both boys and girls over time except in the case of municipal schools. While the fee burden was minimum for government schools in 1952-53, a minimum burden is observed for municipal schools in 1962-63. Private aided schools have the highest fee burden in 1962-63 for both girls and boys. By and large, average fee burden for boys in vocational school education is higher than for general school education, whereas no general statement can be made for girls. Surprisingly, private unaided vocational schools levy a lower average fee per girl than private unaided general schools in both the years.

For college education, incidence profiles of fees are presented in the following tables for general education and professional education.

Per student fee burden for boys and girls — General Colleges (Rs.)

Management	*Boys*		*Girls*	
	1952-53	*1962-63*	*1952-53*	*1962-63*
Government	93.7	104.06	62.9	97.2
Municipal board	162.1	80.4	—	—
Private aided	134.0	170.0	127.8	155.5
Private unaided	133.9	141.8	161.4	141.6

Per student fee burden for boys and girls — Professional Colleges (Rs.)

Management	*Boys*		*Girls*	
	1952-53	*1962-63*	*1952-53*	*1962-63*
Government	167.8	132.2	37.0	19.9
Municipal board	323.1	253.6	—	—
Municipal aided	189.3	205.8	302.7	62.2
Private unaided	167.4	280.9	95.3	166.3

As expected, for boys, professional education is costlier than general education in colleges. For girls, however, in most cases, general education in colleges means a higher fee burden. In 1962-63, the fee burden is lower for girls than for boys in the case of both general education and professional education in colleges. In the case of school education, however, vocational education alone was cheaper for girls (considering the fee burden) than for boys. General school education at times involved a higher fee burden for girls than for boys. From this, one may observe that vocational education should be more attractive to girl students than for boy students if at all the fee burden can have a decisive influence in the choice of careers. Private aided general colleges had the highest fee burden per student in 1962-63, while in 1952-53 municipal colleges for boys and private unaided colleges for girls had the highest fee burden per student. For professional colleges, the highest average fee burden is observed for private unaided colleges in 1962-63. In 1952-53, municipal colleges for boys and private aided colleges for girls charged the highest average fees. Minimum average fees are generally observed in government colleges in 1952-53 for both general and professional education. Government colleges charged minimum average fees in 1962-63 also except in the case of general colleges for boys, whereas municipal board colleges had minimum fees.

In the following table are presented figures of per student fee burden in all institutions classified according to the level and type of education from 1949-50 to 1963-64.

Average fee burden (Rs.)

Year	*General education schools*	*Vocational education schools*	*General education colleges*	*Professional education colleges*
1949-50	5.70	20.89	109.24	94.77
1950-51	6.08	22.68	112.92	97.23
1951-52	6.60	25.29	118.19	109.82
1952-53	7.04	24.16	115.83	107.34
1953-54	7.29	26.51	108.68	107.91
1954-55	7.16	27.38	109.44	108.14
1955-56	6.96	28.41	110.84	109.48
1956-57	6.79	28.68	109.81	111.92
1957-58	6.68	33.29	113.58	120.49
1958-59	6.96	33.08	110.11	123.87
1959-60	6.78	36.47	135.14	115.20
1960-61	7.12	38.38	146.67	125.12
1961-62	6.93	40.13	152.57	160.44
1962-63	7.40	39.33	153.68	129.16
1963-64	7.62	42.96	157.39	134.36

While general education in schools is less costly than vocational education in schools, general education in colleges is costlier than professional education in colleges in most of the years. The average fee rate in 1963-64 was 2.1 times that in 1949-50 in the case of vocational schools, which is the maximum increase as compared to 1.3 for general schools, 1.4 in the case of professional and general colleges.

Incidence Profiles According To Age Group

It may be interesting to examine whether the fee burden rises with the age of the student. Normally, fees charged for children going to nursery schools are high. They are even higher than for the children going to primary and secondary schools. Hence, at lower level of education the fee rate is higher at a smaller age and is lower at a higher age. We can classify student population into two groups, as below 14 years of age and above 14 years of age. At 14 years of age, students become eligible to enter the labour force, and we may assume that students can earn on their own and pay their fees when they are above 14 years. In this case, therefore, a moderately higher rate of fees, other things remaining the same, (i.e. part time jobs are available for students), should not be felt a great burden (particularly by parents). With the higher age of the student, the cost of education for the supplier of education may rise because on account of increased maturity, students may need larger library facilities, many more other amenities, etc. (especially because students with a higher age move to a higher level of education). Hence, the fee burden may legitimately be raised for students with a higher age. It is useful to examine the extent of discrimination in average fees according to age group. In practice, the official fee rates, of course, do not discriminate as between different age groups. An attempt is made below to compute the incidence profiles according to age group classification of students for different levels and types of education for 1952-53 and 1964-65. The following table presents an aggregative picture of the problem:

Average fees paid by students according to age groups

Age group	*1952-53* *Rs.*	*1964-65* *Rs.*
Upto 14 years	4.33	2.97
Above 14 years	41.93	33.72
All	9.25	8.20

Fourteen-year olds and above bear an average fee burden which is nearly ten to eleven times the burden borne by the lower age group. Lower age-group students pay less than the national average fee rate while higher-age students pay more. Fee burden has come down for both age groups over the period of time. The following table presents fee burden on students of different age groups in school education and higher education:

Average fee paid by students (Rs.)

Age Group	*1952-53*	*1964-65*
	School Education (General + Vocational)	
Upto 14 years	4.31	2.95
Above 14 years	25.11	16.23
	Higher Education (General + Professional)	
Upto 14 years	128.85	122.97
Above 14 years	135.13	123.72

From the above table, it is clear that age group-wise disparity in fee burden is present for lower level of education and is not markedly present in the case of higher level of education, though a slight increase is observed here also. There is a decline over time in average fee burden for both the age groups in school as well as higher education. Now, incidence of fees according to age group of students for general education and professional education is presented in the following table:

Average fee burden on students (Rs.)

Age-group	*1952-53*		*1964-65*	
	General education	*Professional Education*	*General Education*	*Professional Education*
Upto 14 years	4.27	24.58	2.90	20.69
Above 14 years	41.17	48.07	31.49	29.06

Students of lower age group bear a smaller fee burden than the students of higher age group in the case of both general education and professional education. While in 1952-53, above 14 year olds had to pay a smaller average fee for general education than for professional education, the reverse is true in 1964-65. General education is cheaper than professional education in both the years for the students of lower age group.

2.3 Substitution effect of Fees

In considering the fee burden per student with different level of disaggregation, we assessed the negative income effect of the fees as a price of education. But as stated above, fees have a substitution effect also because of the absence of uniformity in the fee rates for different types of education. Obviously, while estimating the substitution effect of fees, we must consider the same level of education, for, from the point of view of the student, different types of education should be equally likely which fact may not be realised when we consider different levels of education. A student in a general education school cannot consider college education as an alternative; but vocational school education can be a meaningful alternative for him. We, therefore, attempted to estimate the substitution effect of fees as between general education and professional education at lower and higher levels separately. For this purpose, we considered the proportion of enrolment in general education to professional education (Y) as a function of the proportion of average rate of fees in general education to professional education (X). We tried two regression models:

(i) $Y = a + b X$ and
(ii) $\text{Log } Y = \text{Log } a + b \text{ Log } X$

According to model (i), b is the marginal effect of fee rate ratio on enrolment ratio, with variable elasticity of substitution. In model (ii), b is the coefficient of elasticity of substitution with variable marginal effect coefficient. In the following table are presented the results of this exercise:

Regression Model	*Constant term*	*Regression Coefficient*	R^2
(1) $Y = a + b X$ $Y = \frac{\text{enrolment in general schools}}{\text{enrolment in vocational schools}}$ $X = \frac{\text{Average fee rate in general schools}}{\text{Ag. fee rate in vocational schools.}}$ Period chosen is from 1949-50 to 1963-64	110.3364	43.2762	0.0595
(2) $Y = a + b X$ Y and X defined in a similar way for higher education from 1949-50 to 1964-65	7.6933	— 4.0367	0.6394

Regression Model	*Constant term*	*Regression Coefficient*	*R^2*
(3) $\text{Log } Y = \text{Log } a + b \log X$ Y and X defined as in (1) above for school education for 1949-50 to 1963-64	2.1256	0.0716	0.0479
(4) $\text{Log } Y = \log a + b \log X$ Y and X defined as in (1) above for higher education for 1949-50 to 1964-65	0.5640	— 1.7600	0.6320

The explanatory value of the regression model is larger in the case of higher education than in the case of school level education. The regression coefficient b is negative in both models 2 and 4, where the explanatory value of the model is fairly large. Sixtythree per cent of the variation in the dependent variable is explained by the independent variable in these models. Negative regression coefficient of model 2 indicates that as the fee rate ratio increases, the enrolment ratio falls by multiples of 4.0367. Small R^2 in the case of school education only indicates that choice of the course at school level is little influenced by the fee rates. It is only at the higher education level that the fee rate differences have significant influences on the choice of courses.

The substitution effect of the fee rate is measured by the elasticity of substitution given by b in the double log-linear models (3) and (4). Since R^2 is small for model 3, we interpret the result for model 4 only. The substitution effect is negative in the case of higher education. A change in the relative fee rates has a bigger influence on the flow of students in general colleges and professional colleges. With relatively higher fee rates in general colleges, enrolment falls in general colleges relative to professional colleges. The extent of substitution effect of fee rates is — 1.76. The relative enrolment ratio has fallen from 3.76 in 1949-50 to 1.39 in 1964-65 in general and professional colleges as compared to a rise in relative fee rates from 1.15 in 1949-50 to 1.49 in 1964-65.

III. FEE INCOME AND INDIRECT EXPENDITURES

The importance of fees in financing indirect expenditures could not be known for different levels and types of education for some of the previous years, for the indirect expenditures were by definition not supposed to be allocable to different levels of education, and hence data were not presented in the required details. For the same reasons, the role of fees in financing direct expenditures at different levels of education could not be compared with that in financing indirect expenditures. However, data on indirect expenditures are also being presented for a few years in a similar way as the data on direct expenditures (probably with the suggestion of the Education Commission) according to the education types and levels, even though not according to management of the institutions. The figures in the accompanying table present the relative importance of fees in indirect expenditures on buildings and hostels for the year for which such details are available, viz. 1964-65.

Fee incomes are highly important in financing expenditures on hostels than the expenditures on buildings. By and large, a greater percentage of indirect expenditures in girls' institutions is met from fee income than in all institutions. It is interesting to observe that fee incomes are less important in financing indirect expenditures in professional education than in general education, both at higher and lower levels.

Importance of fees in indirect expenditures 1964-65

Level and type of education	*Fees as percent of total expenditures on buildings*		*Fees as percent of total expenditures on hostels*	
	All Institutions	*Institutions for girls*	*All Institutions*	*Institutions for girls*
1. Universities & University Departments	8.65	—	71.50	—
2. Institutions of National Importance	—	—	13.26	—
3. All Boards of Examination	0.04	—	—	—
4. Research Institutions	—	—	6.92	—
5. Colleges for general education	6.51	6.34	77.34	78.36
6. Colleges for Professional & other education	1.71	—	51.36	17.56
7. Teacher training				
(a) Degree and Post-graduate	1.34	12.76	47.25	68.59
(b) Undergraduate	0.69	2.45	16.34	23.62
(c) School standard	1.28	4.58	24.45	34.10
8. High/Higher secondary schools	10.28	13.82	41.45	45.96
9. Middle/Sr. Basic schools	1.15	1.02	1.62	3.78
10. Primary/Sr. Basic schools	0.59	0.81	5.53	
11. Pre-primary/Pre-basic schools	0.71	—	57.84	—
12. Schools for vocational & other education	0.95	0.31	4.68	0.27
All types and levels of education	4.94	8.00	42.35	47.01

The relative importance of the fee income in financing direct expenditures and different items of indirect expenditures is presented in the following table :

Fee Income in financing indirect and direct expenditures 1964-65

	Fees as percent of total expenditures on the items	
	All institutions	*Institutions for girls*
A. Items of Indirect expenditures		
1. Direction & Inspection	—	—
2. Buildings	4.67*	7.34*
3. Hostels	42.55*	46.56*

	Fees as Percent of total expenditures on the items	
	All institutions	Institutions for girls
4. Scholarships and other financial concessions	2.78	2.23
5. Equipment & other appliances (non-recurring)	4.95	9.58
6. Other items	11.22	16.24
Total indirect	5.83	9.24
B. Total direct expenditure	19.44	22.28
C. Grand Total (A + B)	16.57	20.06

Note: There is some discrepancy in the figures with * marks of this table with those of the previous table, for, in the previous table, the total expenditures on these items exclude some amounts financed by government and endowments for which item-wise details are not available. See also *Education in India*, Vol. II, 1964-65, pp. 178-79.

While fees are considered an important source of income for direct expenditures, for indirect expenditures fees are relatively less important. Out of all the items of indirect expenditures, hostel expenditures rely upon this source to a maximum extent. Once again, generally girls' institutions depend on fees as a greater source of income for both direct and indirect expenditures than all institutions taken together.

IV. SYSTEM OF FEES IN DIFFERENT STATES

The method of levying fees and rates of fees for different levels of education vary from state to state. Information on fee rates could be obtained from the State Directorates of Education for the government-managed educational institutions only. While private institutions can levy fees at higher rates and follow different methods of financing education, state governments issue directives in some states regarding the rates and methods which have to be abided also by the private institutions. In all the states, educational institutions receiving aid from the government have to charge standard rates of fees. We outline below the major features pertaining to fee financing followed in different states.

4.1 Free Education

In all states primary education in aided and government-managed institutions is provided free, while unaided private institutions do charge fees. While education upto standard VIII was made free in some states, some other states provided tuition fee-free education upto the school-leaving stage also. Thus,[5] while in Madhya Pradesh and Rajasthan, education was tree during the reference period, upto the 8th standard, in

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[5] This information is based upon the replies received from few state governments to the questionnaire issued to all the state governments. Cooperation of the State Ministries and Directorates of Education is gratefully acknowledged. The information related to the period of early seventies.

Kerala, the then Mysore and Tamil Nadu, upto the school-leaving stage, education was free. In Rajasthan and Madhya Pradesh, for girls only, education was free upto the school-leaving stage. In Jammu and Kashmir, on the other hand, education was free upto the university stage. The uniform feature in all the states was that scheduled castes and scheduled tribes students were exempted from fees at all levels of education. Tuition-free education was provided in a number of states to the wards of goldsmiths (who were affected by the Gold Control Order), with income below Rs. 1,200/-per year in the case of school education, Rs. 1,500/- in the case of college education as obtained in Tamil Nadu. defence personnel stationed in the border areas, defence personnel permanently disabled, government servants with income below specified limits (generally Rs. 1,200/- per year), teachers serving in government institutions, and freedom fighters.

4.2 Discriminatory Pricing of Education

Even if education is provided at a price, the rates of fees may not be uniform for all the recipients of education. Discriminatory rates are levied even though the basis of discrimination may be different. Discrimination was practised on the basis of geographical units and their relative economic position, and/or on the basis of the actual earnings of the guardians of the recipients of education. Even if there was no uniform practice with regard to the degree of discrimination as between different fee-paying units, some discrimination was practised.

Madhya Pradesh and Maharashtra presented a case of geographical discrimination in fee rates. Madhya Pradesh was divided into four constitutent units, and rates of fees varied in these areas, in economically advanced regions the rates being higher than in the poor regions. In Maharashtra, three regions were demarcated as Greater Bombay, Poona, Nagpur, Sholapur and other areas. In the Greater Bombay region, the fee rates were relatively higher than in the other two as shown in the table below ·

Fee rates in Secondary Schools in Maharashtra (Rs.)

Area	*Standard*						
	V	*VI*	*VII*	*VIII*	*IX*	*X*	*XI*
(a) Greater Bombay	5.00	5.50	6.00	6.50	7.00	7.50	8.00
(b) Poona, Nagpur, Sholapur	4.00	4.50	5.00	5.50	6.00	6.50	7.50
(c) Other areas	3.00	3.50	4.00	4.50	5.00	5.50	6.00

In constrast to this, there existed uniform fees in all areas in the then Mysore State, especially with respect to higher education. Even though the government desired to levy fees at lower rates in backward regions of the state, for political reasons of public resentment, uniform fee rates were prescribed. In fact, a committee, under the Chairmanship of Dr. Ramaswamy Mudaliar, was appointed in 1964 to suggest uniform rates of fees in all the regions of the state (for all universities and government colleges).

The rationale behind the geographical discrimination of fee rates is that fees should be in accordance with the ability to pay of the region and since education can also be considered as the motive force of economic development, educational development should be encouraged in the economically backward regions by levying fees at lower rates. However, actual correspondence between the individual ability to pay and the fees may not be realised by the geographical discrimination of fee rates. Hence, in some states discrimination was based upon the individual ability to pay or income. In Rajasthan, for instance, discrimination was made between the parents (of students) paying income tax and those not paying income tax, the former made to pay fees at higher rates. The following table presents the case for Rajasthan :

Fee Rates in Rajasthan (Rs.)

	Std. IX	*Std. X*	*Std. XI*
1. For boys of income-tax paying parents or guardians	3.00	3.50	4.00
2. For boys of parents or guardians not paying income-tax	1.50	1.50	4.00

It may be noted that in Rajasthan, girls in government schools were exempted from fees, irrespective of the tax-paying status of their parents or guardians. In Madhya Pradesh also, in the Vindhya Pradesh Unit, education was free upto standard XI excepting in the case of those students whose parents or guardians paid income-tax or agricultural income-tax. These latter students paid Rs.36/- per annum as tuition fees.

Other Bases of Discrimination

We have already noted above the existence of different fee rates in government-managed institutions, aided institutions and the private unaided educational institutions. Normally, government institutions and aided institutions were required to charge fees at standard rates. In some states even aided institutions were permitted to levy fees at higher rates with the maximum rate being fixed. Thus, in Maharashtra, aided schools could raise their fees upto 1½ times the standard rates with government approval and with the advance notice to the parents. Unaided schools could charge fees beyond 1½ times with government sanction. Sometimes, discrimination was made between day schools and night schools. In Maharashtra, night schools were required to levy fees at half the standard rates of the day schools. Discrimination was practised sometimes as between boy students and girl students, girls getting fee concessions. Sometimes, discrimination was based upon the number of children of the same parents. In Rajasthan, for instance, fees are taken from the first two boys of the parents. If the first or the second child happened to be a girl, then the second and third boys or first and third boys will have to pay the fees. No fees are taken from the third boy defined in this way.

4.3 Other Fees

So far we considered the tuition fees only. Generally, educational institutions also charge fees other than the tuition fees. There are many types of other fees. Thus, there are admission fees, laboratory fees, examination fees, game fees, library fees, reading room fees, school magazine fees, union fees, crafts fees, entertainment fees, commerce fees (for student studying commerce subjects), development fees (Vikas Shulka as in Rajasthan), caution money, medical fees, poor boys fund fees, etc. For some institutions in the cold climate region, there is a special fee for the winter areas (college winter coat fee). Unlike tuition fees, these additional charges are not regular in nature but less frequent and occasional. Even though education is free in the sense that tuition fees may not be charged, these additional charges did exist in all the institutions. At times these charges provide fairly large amounts of funds to the institutions. However, since such fees are generally in the nature of earmarked taxes, they provide funds for specific purposes. Sometimes, concession is shown with respect to these additional charges also. Scheduled tribes and scheduled caste students are required to pay 50 per cent of these additional fees. Sometimes, a maximum limit for these extra charges is prescribed even for the private institutions. In Kerala, for instance, other fees were not supposed to exceed one-third of the tuition fees specified to be collected in the unaided schools.

V. DETERMINANTS OF FEE INCOME

Fee income of an institution can be obtained by the product of the fee rate and the number of fee-paying students. If all students were paying fees, then the product of fee rate and enrolment would give us the fee income of the institution. For the country as a whole, total fee income can be considered in the same way with adjustment made for free or concession-receiving students. Now, the fee rate itself may be dependent upon several other factors.[6] If the fee rate can be considered as the price of education, then this price like any other price is a function of supply and demand considerations. On supply side we should consider the cost of supplying a particular type of education.

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[6] From the replies to the questionnaire issued to the State Ministries of Education, it could not be known with certainty what factors are involved in the determination of fees when the authorities fix the fee rates.

It is interesting to observe that education follows certain economic laws, especially with respect to the cost of production. The larger the scale of operation, smaller the unit costs, as economies of scale are likely to operate. This can be observed from the following table relating average costs of education with total enrolment of the institution. One may find a U-shaped cost curve in the case of education also, indicating that unit costs may rise after a certain scale of operation is reached (vide table — Data on Colleges for 1963-64).

While costs can be important in the determination of the fee rate, hence fee income, they cannot be considered as the sole determinant. If costs were the only consideration, according to full-cost pricing principle, the fee rate should be equal to the full costs. No such correspondence between the cost difference and fee rate difference exists in actual practice. Even though medical education (higher) were seven times costlier, than commerce education (higher), the fees in medical and commerce education did not differ with this big margin.

Demand for education cosists of two types : demand by the recipients of education, and demand for requisite skills created by education by the producing sectors in the economy. Since the latter may be a major determinant of the former, enrolment can be considered as reflecting both aspects of demand. In demand is reflected the utility derived from education in the form of more information and knowledge or the benefit received in the form of greater employability because of requisite skills, higher earning prospects, etc. Hence, benefit received

Data on Colleges for 1963-64

	No. of students	*Average recurring costs*
I. Arts & Science Colleges		
A	115	1191.4
B	186	1359.1
C	332	1110.0
D	505	405.3
E	574	750.1
F	648	369.7
G	804	556.6
H	566	656.1
I	1042	623.1
J	1100	423.0
K	1212	485.9
L	1224	812.5
M	1234	556.1
N	1529	381.1
O	1897	403.5
P	1902	402.9
Q	1974	453.7
R	1988	295.8
S	2452	356.0

	No. of Students	Average recurring costs
T	2541	331.2
U	2627	440.3
V	2552	354.5
W	2738	429.5
X	2875	329.0
Y	2911	280.8
II. Science College		
Z	420	1497.4
III. Commerce Colleges		
A	278	467.2
B	650	402.0
C	885	345.3
D	965	295.3
E	1010	318.4
F	1070	217.7
G	1220	271.6
IV. Training Colleges		
A	19	1554.2
B	43	1129.0
C	161	664.0
D	231	857.0
V. Law Colleges		
A	367	194.2
B	680	209.8
C	873	216.2
D	1101	196.2

Note: Data for colleges in Bombay University.

Source: P.R. Panchamukhi-Operating Cost of Higher Education in the Bombay University (A Study submitted to the Education Commission, 1964-66 Government of India).

may be considered as another determinant of the fee rate. Obviously, the fee rate cannot be equal to the benefit received, as the tangible benefit (ignoring the intangible benefit in the form of utility of being educated) in the form of employment prospects and higher earnings throughout the life-time of the educated, are immense and the entire payment of the student in the form of fees cannot come anywhere near this benefit. Benefit received may, therefore, be considered as indicating only the direction of change in the fee rate; higher the benefit, higher the fee rate, lower the benefit, lower the fee rate.

While discussing the factors determining fee rate, we are on common grounds with the discussion of the determinants of taxation. To consider the cost of social goods and the benefit received by an individual is to ignore the equity aspect completely. For justice, taxation should be based upon ability to pay also. Similarly, the fee rate and hence fee income, should be considered to be depending also upon the ability to pay of the students or of parents of the students, even though in actual practice, no discrimination is made in the fee rate as between the student of different abilities to pay or income.[7] In matters pertaining to education, factors like social justice and social good are more predominant than individual benefit and the cost of production.

That the fee income and students' or parents' ability to pay or income are related can be verified from the actual figures. Rank correlation coefficient was calculated for the series of fee collection in different states and the *per capita* state income for 1960-61. Rank correlation coefficient was 0.5304. On the basis of the Report on the Middle Class Family Living Survey, 1958-59, monthly family expenditure on education and reading — which can be considered as a proxy for the payment of fees — and the total monthly family expenditure — which can be considered as a proxy for income of the family — were related. Rank correlation co-efficient was 0.6538, indicating a fairly high correlation. An attempt was made to study the extent of the effect of income or capacity to pay on fee collections by making use of a regression model with the fee income of the state as a function of *per capita* income (Y=bX). The following table presents the results :

Form of equation	*R*	*R^2*	*F Ratio*	*Regression coefficient*	*t value*
Y = bX					
Y = Fee income of the state	0.7839*	0.6145	22.3282	0.9605* (.0413) Standard error	4.7253
X = Per capita income of the state					

* Significant

From this it is clear that 61.5 per cent of variation in fee income is explained by *per capita* income of the state. With one rupee change in *per capita* income, fee income changes by Rs.0.9605 lakhs.

An attempt was made to examine the relationship between fee income and enrolment. We computed the enrolment elasticities of fee income:

$$\text{Enrolment elasticity of fee income} = \frac{\text{Proportionate change in fee income in two periods}}{\text{Proportionate change in enrolment in two periods}}$$

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[7] Some discrimination according to ability to pay is made in the award of free studentships or means scholarships. A geographical discrimination is also practised sometimes. Please see the discussion in the previous paragraphs.

As between 1959-60 and 1964-65, elasticity of fee income with respect to enrolment for the country as a whole was found to be 1.35. Enrolment elasticities were also calculated for different states and for different levels of education.

While ten states have enrolment elasticities higher than the all-India elasticity, five states have lower than the all-India figures. Proportional rise in enrolment leads to the highest proportional rise in fee income in Jammu & Kashmir and the lowest proportional rise in fee income in the then Madras.

Enrolment Elasticities of Fee Income (Around 1964-65)

States	*Promotional change in enrolment from 1959-60 to 1964-65*	*Proportional change in fee income from1959-60 to 1964-65*	*Elasticity of fee income with respect to enrolment*	*%of students getting freeships in 1961-62*
1. Andhra Pradesh	0.32	0.36	1.13	86.0
2. Assam	0.44	0.81	1.84	79.4
3. Bihar	0.27	0.58	2.15	81.8
4. Gujarat	0.34	0.81	2.38	85.0
5. Jammu & Kashmir	0.52	2.78	5.35	99.9
6. Kerala	0.30	1.11	3.70	94.4
7. Madhya Pradesh	0.52	1.38	2.66	89.4
8. Madras	0.45	0.12	0.27	75.8
9. Maharashtra	0.61	0.75	1.23	80.6
10. Mysore	0.49	0.96	1.96	92.5
11. Orissa	0.65	1.12	1.73	90.4
12. Punjab	0.58	0.71	1.23	84.0
13. Rajasthan	0.59	1.74	2.95	91.3
14. Uttar Pradesh	0.96	0.54	0.56	85.8
15. West Bengal	0.39	0.63	1.62	67.1
India	0.51	0.69	1.35	—

This shows that in Jammu & Kashmir, as against the then Madras, the proportional rise in fee income is larger than the proportional rise in enrolment, indicating that the high elasticity is mainly due to the higher rate of fees. This is substantiated by the fact that the number of fee-paying students is very small in Jammu & Kashmir. High elasticity in this state is strictly due to the higher fee rate and greater proportional rise in fee rate. The average fee rate in this state rose from Rs.2.4 in 1959-60 to Rs. 17.6 in 1964-65, while it actually fell from Rs. 10 to Rs. 7.7 in Madras during this period. To some extent, differences in enrolment elasticities for different states will have to be explained by differences in fee rates, for, the rank correlation coefficient between enrolment elasticities and percentage of students getting freeships is fairly high (0.6392), indicating that fee income differences are by and large not due to enrolment differences.

The following table presents enrolment elasticities for different types and levels of education for two points of time 1950-51 and 1964-65:

Education type	*Proportionate change in enrolment from 1950-51 to 1964-65*	*Proportionate change in fee income from 1950-51 to 1964-65*	*Enrolment elasticities*
1. Pre-Primary/Pre-Basic	5.90	4.71	0.7863
2. Primary/Jr. Basic	0.91	1.99	2.1869
3. Middle/Sr. Basic	3.72	1.34	0.3602
4. High/Higher Secondary	6.61	1.67	0.2526
5. Teacher Training & Vocational schools	12.72	0.54	0.0425
6. Arts & Science Colleges	2.00	20.13	10.0650
7. Teacher Training & Professional & Special Education colleges	5.71	18.05	3.1611
All types	1.63	8.78	5.6135

Enrolment elasticity is the highest for arts and science colleges and lowest for teacher training and vocational schools. Elasticity is lower for professional education than for general education both at lower and higher levels. Enrolment in professional higher education has increased by 571 per cent as against 200 per cent for general higher education. But, still fees have risen proportionately more for general education than for professional education. Similar is the case with vocational and general school education as columns 2 and 3 of the above table show. This shows the extent of subsidisation programme (in the form of fee concessions) in the two types of education.

An attempt was made to quantify the extent of effectiveness of enrolment on fee income by using the inter-state cross-section data for 1960-61 in the regression model. The results are presented below:

Form of equation	*R*	*R^2*	*F ratio*	*Regression coefficient*	*t value*
$Y = bX$ Y = Fee Income X = Enrolment of the state	0.8590	0.7379 (significant)	39.4212	10.3164 (std. error 2.6998) (significant)	6.2788

Enrolment explains about 74 per cent of variations in fee income. With a change of one lakh in enrolment, fee income changes by Rs.10.32 lakhs.

We consider simultaneously both enrolment and *per capita* income as factors to explain the fee income in the regression model using inter-state cross-section data and all-India time series data. The following table gives the results :

Form of the regression model	*R*	*R^2*	*F ratio*	*Regression*	*Corresponding t value*	*Remarks*
1. $Y = b_1X_1 + b_2X_2$ Y = Fee income for India 1949-50 to 1964-65 (in Rs. crores) X_1 = Per capita net output (at current prices) X_2 = enrolment No. millions)	0.9984	0.9968	2138.7331 (Significant)	b_1 = —0.6577 (0.0193) b_2 = 16.5658 (0.9592)	—4.734 9142	b1 is significant at 5% level b2 is significant at 5% level
2. $Y = b_1X_1 + b_2X_2$ Y = Fee income of the states (Rs. lakhs) X_1 = per capita income X_2 = enrolment (in lakhs) (cross section 1960-61)	0.8593	0.7364	18.3428 (Significant)	b_1 = 0.0584 (0.1626) b_2 = 9.7994 (15.6205)	0.1449 0.4794	b_1 is not significant b2 is significant at 5% level

Both the models are significant in explaining the variation in fee income. While the time series model explains more than 99 per cent of variation, the inter-state cross-section model explains about 74 per cent of the variation. While both the regression co-efficients are significant in the time series model, regression coefficient of enrolment alone is significant in the cross-section model. According to the first model, with a change of one million in enrolment, fee income changes by about 165.6 million rupees, whereas according to the second model, the fee income changes by 97.99 million rupees. Capacity to pay does not seem to be having the influence in the right direction. Negative regression coefficient (which is significant) connotes that as *per capita* income increases, fee income falls. This probably means that the fee system in India has a built-in regressivity. The extent of regressivity is equal to 0.6577. This result is contrary to that of the simple regression model above, where fee income was found to be moving in the same direction as *per capita* income in multiples of 0.9605 of *per capita* income. The explanatory value of the multiple regression model (1) above is greater than that of the simple regression model. Hence, we accept the results of model (1) above.

An attempt was made to measure the extent of regressivity of the fee system in different types of education by another method also using more disaggregated data of parents' income. Such data were collected from the application forms of students in Maharashtra for various scholarships — national merit scholarships, state merit scholarships and national loan scholarships awarded for different courses of higher education in Maharashtra. 276 application forms were picked up from the files of the Directorate of Education of Maharashtra*, and by relating the student's class and thus the annual fee with parents' income we calculated the correlation coefficients between fees as percentage of parents' income and the parents' income for different types of higher education. The following table presents the results :

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* Cooperation extended by the staff of the Education Directorate, Poona is gratefully acknowledged. The help of Mr. Koundinya, Research Officer, deserves a special mention.

Education types	*Annual fees Rs.*	*Coefficient of correlation*
1. Commerce	300.00	– 0.8560
2. Law	250.00	– 0.6080
3. Arts	300.00	– 0.5540
4. Science	360.00	– 0.2570
All types together	—	– 0.3460

Note: Fee rates are around those obtained for Bombay University.

Coefficient of correlation between fees as per cent of parents' income and parents' income can be taken to measure the extent of progressivity or regressivity in the fee rate structure. When the coefficient is negative, it indicates the existence of regressivity. From the above table, we find that fee system is regressive in all education types separately and also when taken together. While regressivity is minimum for science education, it is maximum for commerce education. Regressivity is fairly high for law and arts education also. While negative correlation coefficient indicates the regressivity of the fee rate system, it does not indicate the precise quantitative magnitude of how one variable, viz. fee payment moves with a unit change in another variable, viz. parents' income. The latter is given by the regression coefficient, when annual fee payment as a per cent of parents' income is regressed upon the parents' annual income. We did this exercise for the above categories of education, the results of which are contained in the table below :

Education type	R^2	*Constant* a	*Regression co-efficient* b
1. Commerce	0.7327	23.3858	– 1.5915
2. Law	0.3697	19.8183	– 2.3731
3. Arts	0.3069	5.1460	– 0.9264
4. Science	0.0610	21.0634	– 0.6525
5. All	0.1197	19.6616	– 0.8398

Only in the case of commerce education, we get a fairly better fit of the function. In this case, as the income increases by one unit, the fees as per cent of parents' income fall by 1.5915 units.

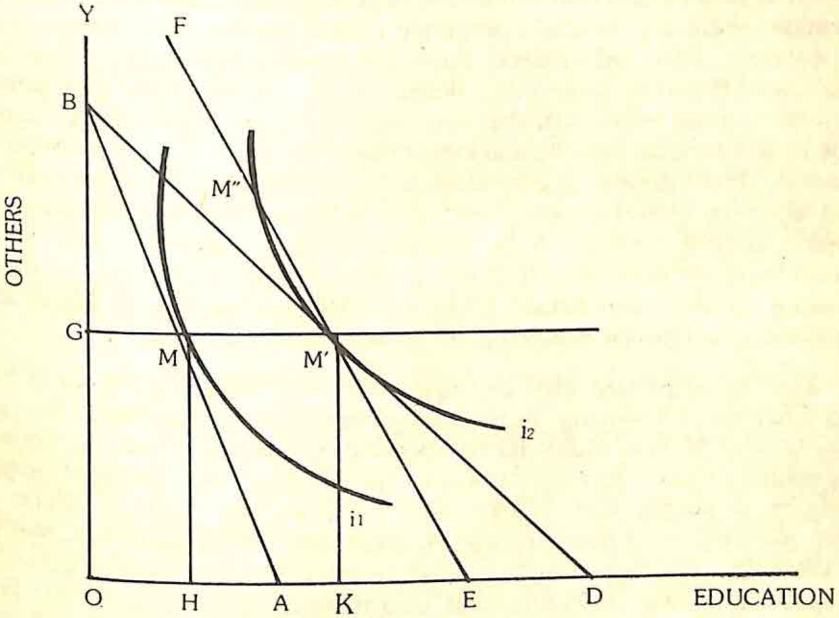
VI. ISSUES OF POLICY

A number of issues of policy may be raised with regard to the problem of fee financing of education. More important of them are discussed below.

6.1 By and large, the importance of fee income in the overall finances for education is on the decline. However, per institution fee income has risen over time in the case of almost a majority of education types and institutions. Per student fee burden has also shown an increase. These empirical findings present conflicting considerations for the problem of policy. Since fees are less important in overall finances, should this trend of declining importance be hastened by outright abolition of fees at all levels of education and find alternative sources of finance? In view of the increasing fee burden per student and also in view of the glaring regressivity of the fee rate system (as observed in section V above) and the acceptance of the principle of equal educational opportunities to all, this question appears to be more pertinent. On the other hand, a majority of educational institutions find in fees an important source of funds for education. Unaided private institutions mainly rely upon this source. Sometimes, even aided private institutions also find fees to be attractive sources of income as is evident in the per institution fee income figures. Under these circumstances, would the abolition of fee system be a wise step? Let us analyse the issue more closely.

When the fee system is abolished, then an alternative system of financing will have to be thought of. 16.6 per cent of the total expenditures on education were financed by fees in 1964-65, i.e. fees contributed nearly Rs. 88.56 crores to the education finances. This huge sum has to be raised from either one or both of the other sources of finance, viz. private charity or governmental sources. Obviously, private donations etc. cannot be supposed to contribute this large amount, though the extent of private donations can be stimulated by incorporating provisions in tax laws that are more attractive for donations. Despite the existing tax-saving attractions in the tax laws, the endowments and other sources are dwindling in importance. While this source contributed 11.6 per cent of the total expenditures in 1950-51, the corresponding figure for 1964-65 was 6.8 per cent. Average annual rate of growth of funds from this source is lowest (8.9 per cent) of all other sources, except district board funds during the first three plan periods. Hence, endowments and other sources, though relieving the pressure on other sources, cannot be relied upon as the effective alternative source to the fees. The governmental bodies (central, state and local), therefore, are the only alternative sources on which great reliance will have to be placed.

The government while meeting this additional burden cannot obviously take recourse to some system of pricing of education, as the fees which are in the nature of price are abolished. Hence the finances will have to be obtained from taxation. A straightforward benefit taxation is also out of question as such a tax is nothing but something of the nature of fees, and also benefit estimation and determination of the tax rate on this basis are too complicated. Hence, taxation should be general like the usual income taxes, or one can think of an earmarked tax, the revenue of which is earmarked to education as in the case of education cess levied by some local bodies as a surcharge on the property tax. Which is a better tax institution — a general tax or an earmarked tax — is the obvious question that one has to face. It can be shown that on normative grounds, a general tax is superior to an earmarked tax. If the entire government fund can be spent on the two goods as education (X) and other than education (Y) and community's preferences for different combinations of X and Y can be depicted by a community indifference curve, the community equilibrium can be shown to be attained where budget line AB is tangential to the indifference curve,i.e., say at M in the diagram below :



Now, if an earmarked tax were levied, which is in the nature of a tied grant from the people to the government, the revenue of which is to be earmarked for education, then the budget line BD will have a smaller slope than AB. The community will move to a higher indifference curve i2. Equilibrium point M′ can be anywhere on BD except under the condition that OG the minimum of other goods should be available for consumption, and additional funds should be spent on education only. With this, OK of education (greater than initial OH) will be consumed. The same amount of revenue can be obtained by a general tax that is in the nature of an untied grant from the people to the government which does not affect the relative consumption of education and other goods and hence the slope of the budget line. Now the budget line EF (parallel through M′) would enable the community to move on to a still higher indifference curve which may lie on the segment M′ M′. It would be noted that in the above situation, with a general tax financing, allocation to education may be less as compared to the case of earmarked taxation. But still with the former, the welfare position is higher. In the case of the earmarked taxation, the consumer is compelled to consume education (or pay for it) even if it is contrary to his preference. Hence, there is a non-neutral effect or distortion of consumer decisions with an earmarked taxation than with a general taxation.

Whether allocation to education in actual practice will be more or less with general taxation as against earmarked taxation cannot be indicated clearly. For, there are arguments both in favour of and against each of the two statements.

(i) It may be said that in the case of general fund financing or general taxation, there are several competing claims on the fund, and hence, education's share will depend upon the relative bargaining power of education. It is only in an enlightened society, aware of the long-range benefits of mass education, that education can hope to get a large share. Due to its intangible benefits and longer gestation period of the realisation of benefits, direct appeal of education is limited. It is for the same reason that when the overall expenditures have to be reduced, or when a major portion of the fund is to be diverted to say, defence needs, it is expenditure on education that has generally become the first casualty. Looking to this, earmarked taxation, with sure source of funds for education, has to be preferred to general fund financing.

(ii) The argument may also run in terms of incentive effects of the two systems of financing. In the case of general fund financing, the tax base is wide. Hence, if education expenditures (for that matter, any other expenditure) have to be increased, the incidence will fall on a larger number of people than in the case of earmarked taxation, which is generally limited to fewer bases. A surcharge on property taxation in urban areas or a surcharge on land revenue in rural areas is generlly considered as the education cess in a number of states in India. The incidence of property taxation and the land revenue falls on property owners and the landowners (at least, in the short run). The incentive effects of general fund financing are, therefore, more widespread than those of earmarked taxation. However, for financing the stipulated expenditures the extent of the rate changes in general fund financing can be smaller than in the case of land or property taxation. It has to be seen whether higher increases of the latter would have greater disincentive effects than smaller rate increases of the former. Even if the disincentive effects per tax-payer may be larger in the case of earmarked taxation, because of the limited scope of the disincentive effects, the earmarked taxes may be still preferred to general fund financing. However, the disincentive effects of the education cess may be quite adverse as to affect the final yield of revenue itself, in which case earmarked tax may not be favoured. The availability of funds for education in the case of general fund financing once again depends upon its bargaining power.

Therefore, there does not seem to be a strong argument for or against general and earmarked taxation on the basis of either incentive efects, or from the point of view of the revenue availability for education.

(iii) According to some empirical studies, larger expenditures on education are observed under general fund financing than under earmarked tax financing. As Margolis* has suggested, in general fund financing some tax-payer surplus is captured, for, those tax-payers who do not secure direct benefits of education are required under general fund financing to purchase general community services (such as police protection or national defence) only through a tie-in-arrangement with education. A bachelor may not vote for additional education cess but may vote for additional taxes to finance a bundle of services which includes education also.

All said, we should note that in a situation where education is continually expanding, the funds for education would be felt inadequate even with educations' good bargaining power in general fund financing or with high earmarked taxes for education. In fact, the latter can hardly be considered as a source of finance alternative to the former. For, the education cess at the state level and at the level of local bodies, contributes only marginally when the overall needs of funds for education are taken into account.

The same factor of revenue needs may be a compelling argument in retaining the system of fees. If the revenue availability is the prime concern, then mixed financing in the form of tuition charges and government taxation should be advocated as has been demonstrated in a model by Stubblebine.+ He states, "... the analysis indicated that an institution which admits mixed private and public financing.... generates more support by the community for education than full private or full public financing. This result becomes even more certain when the model is related to a dynamic world of rising incomes or educational preferences". The extent of rise in the rates of taxes and the accompanying disincentive effects may be reduced when fees are also considered as the supporting source of funds for education.

Further, in fees there is a useful instrument in diverting student population from one type of education to the other. As we saw before, the relative fee rate changes have significant effects on the relative enrolment changes in higher education institutions, as between general and professional education. Since the government has an effective control on the determination of fee rates of different types of education, fee rates and the method of fee financing offer an effective device for planning enrolment changes in the context of manpower planning.

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* J Margolis: Metropolitan Finance Problems: Territories, Functions and Growths in *Public Finances: Needs, Sources and Utilization*. National Bureau of Economic Research, New York.

+ W.M. Craig Stubblebine: "Institutional Elements in the Financing of Education", *Southern Economic Journal*, July 1965, pp. 15-38.

6.2 If the system of fee financing is to be retained, then how to satisfy the equity considerations? This is the second issue of policy arising out of the discussion. It is true that the equity aspect should not be lost sight of while stressing education's needs for funds. Obviously, if all are made to pay the fees, then the incidence of fees may be regressive, and on account of the high price of education, some prospective students who cannot pay this price would be deprived of education. Hence, the policy should be firstly to reduce or eliminate the regressivity of the fee rate structure, and secondly, to make education available to the maximum number of persons demanding it.

We have made some observations above regarding the extent of regressivity in the present fee rate structure for different types of education. Horizontal and vertical equity — equal treatment of equals and unequal treatment of enequals — demands that the fee burden should rise as the income of the student or the parents rises, i.e. fee rates should be progressive. That fee burden should be related to the ability to pay is accepted as a general principle in geographical discrimination of fees according to the advancement of backwardness of the region. This is actually practised in a few states with regard to particular types of education, as we saw in Section IV above. However, geographical discrimination cannot achieve progressivity in the personal fee-burden structure (except in a rarefied situation where all high income people are in an advanced region and all low income people are in a backward region). For achieving a greater amount of equity, the parents' incomes will have to be adjusted for differences in the number of dependents. Ability to pay of a child's guardian cannot be the same as that of the guardian of two school-going children, even though the incomes of the two earners are equal. Similarly, adjustments will have to be made for differences in several other personal circumstances of the earners and the students in order to make the progressive fee rate structure achieve greater amount of equity. Such problems are well known in the discussions of public policy in connection with taxation. In the case of taxation also, the equity problems are not fully solved even though taxation affects only a small percentage of the earners because of the exemption limits. In the case of fee rate structure in education, obviously, the scope is wider, making the whole issue of equity in fee burden a more complex problem. Under-reporting of incomes adds to this problem. Hence, though theoretically sound, the principle of progressivity cannot be considered a practicable measure in distributing the fee burden equitably. The practical problems would be obviously more in the case of lower level education than in the case of higher level education as the coverage in the former would be 17 times (leaving the number of students in primary education, who, by the Constitution, should be given free education) the latter. Since the majority of the students in the lower level of education (i.e. their parents) belong to the low income brackets, to eliminate fees altogether at this level and to provide free education to all seems to be pragmatic.

With the abolition of fees in the first level education, there would have been a loss of about Rs. 46 crores to the education system in 1964-65, for example, which came from fees at the school level. This sum should be, obviously raised from other sources, especially by taxation. By this process, the burden of school-level education is shifted on to the taxpayers in general from the beneficiaries of the first level education. This may be justified also on the ground that the social benefit component of school-level education is very large and hence the finances should come from the community through tax financing.

As against this, the fees may be retained at the higher level education. This can also be justified on the ground that the private benefit component is very large in the case of higher education. This is particularly evident in the case of professional and vocational higher education. Since there exist some external benefits also, there is a necessity of government assistance also along with the contribution from private sources. Since the number of students is relatively small, one may suggest that progressivity in the fee rate structure may be introduced at the higher level of education. But we feel that the regressivity in the present system of fees should be reduced not directly by discrimination in the fee rates but indirectly by providing discriminatory subsidies to the students of low income group. This method is preferred because of administrative and other difficulties in determining the discriminatory fee rates. The effective burden of education charges will then be equitably distributed. This can also be achieved by giving partial or full fee concession to students of low income groups. However, the system of first paying the fees and then receiving subsidies from the government has the advantages in that students (and the parents) feel greater responsibility towards receiving education. Also. in the fee rate and the subsidy, the government gets an effective measure to allocate enrolment in different types of education in accordance with the needs of manpower planning. We have already seen that the fee rate can be an effective measure for controlling enrolments at a higher level of education.

Though the existence of the fee system at higher level education may prevent some would have-been students from enrolling themselves at higher education institutions, the existence of the subsidy system would minimize the extent of this effect. It should also be remembered that a large majority of students studying in colleges belong to a fairly high income group*.

A questionnaire was sent to 55 colleges throughout the country to collect information on fee rates, incomes of parents of students, scholarships granted, etc. Out of 55 colleges of different faculties, only 6 colleges replied. Only the above 3 colleges supplied the relevant information on the income of parents.

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* The following table presents the data about income group to which the students of colleges belong. These data were collected from the colleges during the late sixties.

Data about the parents' income were collected for 284 students in different higher education courses in Maharashtra from their application forms for different scholarships (referred to in Section IV above). The following table presents the relative income position:

Annual Income group Rs.	*No. of students belonging to the income group*	*Per cent to total*
0-1200	51	17.9
1201-3000	54	19.0
3001-6000	109	38.4
6001-9000	24	8.5
9001 and above	46	15.9

Note: A relatively large number of students have parents with incomes very near Rs. 3,000 figures in 1,201-3,000 group.

On this ground, we feel that there is scope for raising the levels of fee rates in higher educational institutions. Though all prices have a tendency to rise continuously the price of education, the fees are fixed. This is not justifiable when the cost of providing education has risen, partly because of the larger number of facilities and partly due to inflation. The fees should be related to the costs even though full-cost pricing principle is not followed in education. We, therefore, suggest that *in higher education fees should be raised once in every five years* (just as properties are occasionally assessed for property tax purposes in order to take into account the appreciation in the capital values) *so as to relate them with changing costs of supplying education*. The buoyancy of the fee system can thus be raised by occasional (upward) revision of the fee rates. This suggestion will have to be seen in the background of falling fee income per institution in real terms and falling per student fee in real terms in recent years.

As between the different types of higher education, fee rates should vary not only in accordance with the costs of supplying particular types of education, but also in accordance with the private benefits that each type of education yields. Thus, if f_1 and f_2 are fee rates in education types

Arts and Science Colleges

Monthly income group	*Poona*		*Bombay*		*Rajasthan*	
	No. of students	*Percent to total*	*No. of students*	*Percent to total*	*No. of students*	*Percent to total*
0-99	390	13.4	98	3.5	122	25.5
100-249	410	14.1	146	5.2	175	36.5
250-499	354	12.2	490	17.6	139	29.0
500-749	725	24.9	574	20.6	27	5.6
750 & above	1034	35.4	1479	53.1	16	3.3
Total	2913	100.0	2787	100.0	479	100.0

1 and 2, and the private benefits and supply costs are b_1, b_2 and c_1, c_2 respectively, then the divergence in the fee rates can be determined by taking the divergence in b's and c's. Thus,

$$\frac{f_2 - f_1}{f_1} = \frac{w_1 (b_2 - b_1)}{b_1} + \frac{w_2 (c_2 - c_1)}{c_1}$$

where w_1 and w_2 are weights assigned independently to the benefits and supply costs. Private benefits can be determined by considering the earnings prospects associated with particular education type throughout the working life of the educated. w_1 and w_2 can be used as policy instruments also. Thus, even if one is aware that vocational education has higher private benefits than general education, built-in encouragement for vocational education may be provided by giving a smaller weight to it in the benefit component of the above formula. Inter-regional divergence of fee ratcs can also be determined by using the above formula, by giving smaller weights for the benefits component, while considering backward regions and bigger weights to it while considering advanced regions. We feel that the fee rate and the divergences in fees in different education types should be determined on a more sound logical basis than mere guess-work as at present.

VII. CONCLUDING OBSERVATIONS

Fees are declining in importance as a source of income foı the educational system. It has been argued above that fees should be considered not merely as a source of funds, but also as an effective device for allocating enrolments as between different types of education. While, for equity considerations fees may be abolished at the school level education, we feel that fee system should be retained at the higher level education as a useful tool of enrolment planning. The effectiveness of the fee rate as a tool would obviously increase if the fee rates and fee rate divergence as between different types of higher education are determined on a more logical basis in relation to the private benefit and the supply costs of education. *The regressivity of fee rate structure at the level of higher education should be reduced by incorporating a well-planned subsidy system with the fee system.* There is a case for an occasional revision of the fee rates in higher education in accordance with the change in general price level.

Abolition of fees in the school level education may create problems of finances for education. In a situation where educational expenditures rise continuously, the general fund financing and earmarked taxation cannot be considered as alternative sources of funds. We feel that in addition to the general fund financing system, all states in India should levy special educational cess as a surcharge on property taxes or land revenue. It is in this context of scarcities of funds for education that a case for abolition of fees at all levels of education appears to be weak.

CHAPTER FOUR

Trends in Private Finances: Fees and Donations

In the previous chapter, an attempt was made to analyse in detail, the trends in financing of education through fees during the period 1950-1965. Even though this discussion of the principles, policies and trends pertaining to fees has a general applicability to the Indian educational finances even after the middle of 1960's, the more recent trends of educational finances have raised further issues. The objective of this chapter is to examine these trends, in fee financing of education, in particular and private finances, in general. The following major issues are discussed in this chapter :

(1) Examination fees as a source of educational finances.

(2) Capitation fee system in education — fees in advance?

(3) The concept of fees for education from the Alumni : postponed fees? or Fees for past education?

(4) Donations and endowments from the private sector.

(5) Finances of parallel educational institutions.

General Trends

The private sources of finance for education consist of the fees paid by the beneficiaries of education and endowments and other private sources. In 1950-51 the private sources including fees and endowments, contributed to the extent of 32 per cent of the educational finances, while in 1978-79 (the latest year for which the data are available), the contribution of private sources amounted only to 15 per cent. This is a steep decline in the role of private sources. In the course of less than three decades, the importance of private sources has more than halved. The fees which constituted 20.4 per cent of the total educational finances in 1950-51 shared only 12 per cent of the educational finances in 1978-79. This is a 70 per cent decline in their importance. The endowments and private sources which were 11.6 per cent of the educational finances in 1950-51 declined to a low level of 3 per cent in 1978-79, amounting to a

28.7 per cent decline. Thus, while the private sources of finances have registered a general decline, endowments and other private sources have declined most steeply. Such trends raise many questions as to the importance of the private sector in financing of education in recent years and the measures to stimulate the private sector's role in educational finances. Even though the Education Commission 1964-66 recommended a phased reduction in the role of fees at all levels of education, the role of private donations and endowments in education was not underestimated by them. We have already discussed in the last chapter the question of feasibility of free (fee-free) education. It is our considered view that education at higher levels need not be free if one has to take into account the question of efficient allocation of resources. Higher education consists of a large component of private good. The provision of education should, therefore, consider private financing in accordance with the flow of private good to the recipient. To the extent that higher education consists of the public good, the society has to meet its cost through public financing.

Per capita contribution from private sources (fees and other contributions) so far as higher education is concerned, amounted to Rs. 1. 07 in 1965-66, which increased to Rs. 1.86 in 1970-71 and Rs. 2.42 in 1975-76. Thus, the private sources in higher education have been making an increasing contribution to higher education if *per capita* magnitudes are considered. In real terms, however, the contribution from private sources may not show the same order of increase, because, in the course of 1965 to 1975, the prices of commodities relevant to the educational sector have been increasing quite fast.

We come across a basic difficulty in analysing the data on private contributions to education. The data on fees and other private sources are not separately available with effect from 1970-71. Since the term 'fees' would refer to the different categories of fees like tuition fees, examination fees and other fees, separate data about the various components of fees for different years would have helped the analysis of the contribution of fees to the educational finances. Since such data are not available both for the state level and the all-India level, we have to make certain observations about the contribution of the components of different fees on the basis of the institution-wise data rather than the aggregate data. This micro-analysis, though meaningful in itself, may not provide a complete basis for understanding the macro-trends.

Examinations as a source of Educational Finance

At the higher educational level, examinations have been considered as a major source of educational finances. The examination budgets of the universities have been normally found to be surplus budgets indicating that the examination fees are the very significant revenue sources. The following table brings out the importance of examinations in the university finances :

Structure of Recurring Income 1970-71

(Rs. in Lakhs)

University	*Own Income*			*Others*	*Grand Total*
	Tuition & other fees	*Exam. fees*	*Auxiliary enterprise (Press, Hostels, Hall etc.)*	*Grants*	
Bombay	23.15 (13.2)	62.27 (35.5)	14.41 (8.2)	46.91 (26.7)	175.13
Poona	48.89 (31.1)	43.64 (27.8)	7.94 (5.1)	50.85 (32.3)	156.95
Nagpur	15.14 (14.8)	46.06 (45.1)	—	31.37 (30.7)	102.01
S.N.D.T.	2.90 (5.8)	6.50 (13.1)	2.84 (5.7)	11.53 (23.4)	49.33
Shivaji	4.06 (5.4)	35.82 (47.9)	3.76 (5.0)	24.36 (32.6)	74.69

Note : (1) Figures in brackets indicate percentages to total.

(2) Since income from some other unspecified sources are not considered in the table, the percentages do not add to 100.

For the latest period, the examination surplus for the selected universities in Maharashtra is as shown below :

Examination surpluses in universities in Maharashtra

University	*Year*	*Surplus Rs. Lakhs*	*Surplus as per cent of total Income (%)*
Shivaji	1974-75	41.76	48.80
	1979-80	10.28	6.29
Nagpur	1974-75	38.35	20.07
	1977-78	14.09	8.05
S.N.D.T.	1973-74	3.97	6.39
	1978-79	3.81	3.29
Bombay	1972-73	20.99	12.11
	1981-82(BE)	35.45	6.5

From the above statistical information the following observations can be made :

(a) The examination budget is a surplus budget in the case of universities.

(b) The examination income through fees forms a major portion of the own income of universities.

(c) Contribution from examinations to the own income of universities is much more than the contribution from tuition and other fees and also the auxiliary enterprises.

(d) The surplus on the examination account has been declining very fast for most of the universities. In the case of universities, where the surplus is increasing, the rate of growth of the surplus is declining, indicating that the examinations can no longer be relied upon as a major source of revenue for the universities after a certain stage.

Examinations in different faculties yield different amount of surplus. Since remuneration costs alone are allocable to different faculties, the concept of surplus here means excess of examination income over remuneration cost. In the following table, the faculty-wise examination surpluses for the recent 25-year period in the case of Bombay University, have been presented :

Financial Implications of Examinations

Rank	*Faculties*	*Faculty examination surplus as % of total examination surplus (for 25 year period)*
1	Science	31.3
2	Arts	28.8
3	Commerce	13.0
4	Law	11.2
5	Medicine	7.3
6	Others	2.9
7	Engineering	2.0
8	Technology	1.1
9	Matriculation	1.0
10	Agriculture	0.7
11	Education	0.2

Presumably, similar faculty-wise position can be seen in the case of other universities also. It can be seen that Arts, Science and Commerce faculties contributed nearly two-thirds of the examination surplus. The above table also shows that examination surpluses are faculty specific, with examinations in education, engineering, etc. faculties being the least productive from the point of view of University revenue. This is because the cost of conducting examinations varies from faculty to faculty. The cost of conducting examinations in these faculties is relatively higher for the obvious reasons like high costs of equipment, laboratory, materials, etc.

A detailed analysis of expenditures on examinations in selected unversities reveals that the costs of remuneration to the examiners have not increased as fast as the non-remuneration costs. Thus, it is other expenditures towards items than remuneration costs that have caused a reduction in the rate of growth of the net surpluses from examinations for universities during the recent period.

Creation of special boards for conducting examinations (such as the Board of School Leaving Examination, which at one time was the responsibility of the Bombay University), Intermediate Boards of Examinations, etc. have at one stroke deprived the universities of their productive sources of revenue. Recently, in some states, some of the examinations at the post-school stage have been transferred to the institutions of higher education other than the university (i. e. the colleges). Even though this reform was felt necessary in view of the diseconomy of large scale in conducting a large number of examinations with a growing number of examinees, the reform is bound to lead to a substantial reduction in the own income of the universities which could have been realised through these examinations.

Like other fees in education, examination fees also have remained sticky upwards. In some cases, the examination fees which were fixed two to three decades ago still continue to prevail even though the cost of conducting examinations (material cost, travel cost, etc.) have been continuously on the rise. Increasing average cost of conducting examinations suggests that the institutions of higher education will have to give a careful thought to introducing economy measures in their expenditures. It also suggests that the fees which in no way keep pace with the cost of examination, should be proportionately revised in the upward direction.

So far as the lower levels of education are concerned, examinations cannot be considered to be a major source of revenue. This is becaue the examination fees are not separately fixed in most cases. Wherever the examination fees are fixed separately, they are fixed at a very low level, simply to cover the costs of stationery and materials. Thus, there would be hardly any surplus from conducting the examinations. Hence, at the lower levels of education, the examinations need not be considered as a major revenue source while at the higher levels of education, examinations have been and may be considered as a dependable source of revenue for financing education.

Capitation Fee System in Education – Fees in Advance?

The post-independence developments in the field of educational finance have witnessed evolution of a system of financing education through capitation fees. This system has roused a lot of controversy regarding the principles of educational finance. Some of the higher educational institutions in Karnataka took recourse to this method of financing medical and engineering education in particular. A number of other institutions both at the higher educational level and at the first and second educational level throughout the country, particularly in the major cities, have followed this system of revenue mobilisation for financing the cost of education.

The system of capitation fees consists of payment of huge sums of money, running in several thousands of rupees before admission is granted to a particular student. This payment is naturally made by the parents or the guardians of the students. If the money is received formally, through its entry in the books of accounts and with the passing of a receipt to the payer, then this system can be considered a formal system of capitation fees. If no receipts are issued and the entire transaction is informal, though binding on the parents or guardians before admission is granted to their wards, the system of capitation fees becomes purely informal in nature. The system is found to exist in both forms in different parts of the country and at different levels of education. Sometimes, the capitation fee is given a more honourable term of donation. While donations per se are voluntary in nature, the donations comprising capitation fee are compulsory in nature. While in the case of donation there need not be any formal *quid pro quo*, in the case of capitation fee, there is a *quid pro quo* in the sense that the supplier of education is expected to supply education to the payer or the wards of the payer of the 'donation'. In metropolitan cities and big towns of the country, 'capitation fee-donations' have been accepted as a regular source of educational finance for the educational institutions and regular instrument of getting admission from the parents of children of school-going age. Such donations are accepted even at the pre-primary or kindergarten stage of education. Since the seats in good schools are limited and since the schooling facilities are also limited in relation to the demand for education, securing admission in a school at the early stage of education becomes highly crucial. In view of the single entry system in education, admission secured at the early stage in a good school would ensure continued admission in the same school at a later stage of education. Hence the donations are freely paid and they are freely accepted as a part of *quid pro quo*.

Since the capitation fee is invariably a very big amount, being several multiples of the existing tuition fees, the system of capitation fees raises some of the fundamental issues in educational finance :

(a) At what levels should capitation fees be fixed?

(b) Should the capitation fee be higher than the currently prevailing tuition fees?

(c) If they are higher, as they normally are, then what will be the implications of this system so far as the objective of equality in educational opportunities is concerned.

(d) What are the other effects — efficiency and equity effects — associated with the capitation fee system?

(e) Can a new system of recovering the cost of education from the beneficiaries be evolved incorporating some of the essential principles and positive aspects of the capitation fee system?

We propose to discuss below these issues in turn.

It is a well-known fact that the currently prevailing fee rates do not cover the cost of education whether we consider the school level education or higher level education. In the case of higher level education, in particular, the fee rates form a very small proportion of cost of education. Then the question is who should meet the residual of the cost of education. One is reminded of what Mahatma Gandhi had stated in the issues of *Harijan* dated 9.7.1938:

> "I am opposed to all higher education being paid for from the general revenue. University must be made self-supporting. The state should simply educate those whose services it would need. For all other branches of learning, it should encourage private effort".

This is a statement of the basic philosophy of educational finance. Though the intervention of the state in education — educational finance — cannot be objected to on grounds of first principles of public finance, it should be remembered that this intervention should be minimum and should not involve negative externalities. Viewed from this point of view it appears that the excess cost of education, which is currently left over after the payment of the currently prevailing low fees should not be covered fully from the general revenue by the Government. But it should be covered normally from the contributions of the beneficiaries of education. This is essentially the benefit system of finance, which is known in the Public Finance literature as the benefit principle. The beneficiary pays for the given services, in this case, of education. This suggests that the tuition fees must be pitched at a fairly high level so as to cover the full cost of education. The typical benefit principle would suggest that the cost of education must be more or less equal to the amount of benefit received. Since the benefit from education is received over the life-time of the individual recipient of education, the total fees paid must be more or less equal to the present value of the benefits received throughout his life-time. If benefits from education are measured in terms of earning advantages, then the present value of the life-time earnings of the educated over those of the uneducated would provide a basis for the fixation of the fees.

According to the full-cost pricing principle, however, the institutional cost of provision of education should be met by the beneficiaries of education. In this case, the level of fees would not be as high as in the case of typical benefit principle of educational finance.

Even on the full-cost principle, the current rates at the higher educational level, in particular, are found to be very low. The capital cost of a seat in IIT is estimated to range from Rs. 5 lakhs to Rs. 10 lakhs. Recurring cost may vary between Rs. 50,000 to Rs. 1,00,000. The fees, however, which are actually paid by students form an insignificant proportion of such huge costs. Even in the case of the non-IIT level institutions, the fees form 7 per cent to 49 per cent of the total recurring expenditure per student, depending upon the faculty of higher education. Table on the next page gives this information for the selected faculties of the Bombay University for the year 1970-71.

Such huge subsidisation suggests that the fees will have to be raised nearly by 14 times the currently prevailing levels in the case of some faculties.

This raises the question of the equity impact of such a policy of raising the fees obviously to meet the needs of the under-privileged economically backward units. The policy of an upward revision in fees will have to be supplemented by a policy of concessions and positive subsidies in deserving cases.

The System of Fees in Advance

Since the payment of high tuition fees at regular intervals is likely to cause a feeling of pain and sacrifice at regular intervals, the system of capitation fees would endeavour to overcome this difficulty by imposing

Subsidization of Students 1970-71

Name of the Department	Revenue Exp. per student total administrative + teaching (Rs.)	Revenue expenditure on academic (teaching and research) per student (Rs.)		Tuition income per student (Rs.)	4 as % of 1	4 as % of 3
		Teaching	Teaching and Research			
	1	2	3	4	5	6
Economics	2.553.5	672.41	1,901.75	227.7	8.9(5)	12.0(6)
Sociology	767.0	404.01	504.06	226.6	29.5(14)	45.0(14)
Civics and Politics	551.5	293.65	335.65	223.0	40.4(16)	63.0(17)
Statistics	2.790.4	1,430.3	1,497.00	265.8	9.5(7)	17.7(8)
Chem. Tech.	2.864.8	739.3	1,514.04	352.7	12.3(10)	23.4(10)
Library Sc.	250.6	235.4	—	—	—	—
Psychology	1.684.4	840.0	992.9	348.0	20.7(11)	35.1(12)
Law	543.6	297.6	934.1	219.9	40.5(17)	65.8(18)
J.B. Institute	1.573.3	689.7	700.6	382.1	24.3(12)	54.5(15)
English	687.4	389.7	389.7	227.3	33.1(15)	58.3(16)
Sanskrit	2,880.7	1.822.1	1,976.7	206.7	7.2(3)	10.5(4)
Mathematics	2,954.7	1,248.6	2,155.7	240.2	8.1(4)	11.1(5)
Linguistics	2,464.1	1,248.6	1,547.1	221.1	9.0(6)	14.3(7)
F. Languages	744.9	512.9	512.9	154.3	20.7(11)	30.1(11)
Marathi	3.750.4	2,338.1	2,338.1	190.6	5.1(1)	8.2(1)
Chemistry	4,953.7	432.8	1,643.7	320.0	6.5(2)	19.5(9)
Gujarati	1,031.6	1,006.4	1,006.4	100.0	9.7(8)	9.9(2)
Hindi	647.7	633.7	633.7	65.0	10.0(9)	10.3(3)
History	102.2	16.0	16.0	224.2	49.4(18)	1,401.3(19)
Geography	1,142.8	694.0	722.6	286.3	25.1(13)	39.6(13)

Note : Figures in brackets indicate ranks.

Source : P.R. Panchamukhi — Economics of University Finances, Centre for Multi-Disciplinary Research, Dharwad, 1977.

Subsidisation of Students 1970-71

Name of the Department	Revenue expenditure per student: total administrative + teaching (Rs.) 1	Revenue expenditure on academic (teaching and research) per student (Rs.)		Tuition income per student (Rs.) 4	4 as % of 1 5	4 as % of 3 6
		Teaching 2	Teaching and Research 3			
Economics	2,553.5	672.41	1,901.75	227.7	8.9(5)	12.0(6)
Sociology	767.0	404.01	504.06	226.6	29.5(14)	45.0(14)
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Library Sc.	250.6	235.4	—	—	—	—
Psychology	1,684.4	840.0	992.9	348.0	20.7(11)	35.1(12)
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the pain and sacrifice at only one point of time, i.e. at the time of the admission of a student to the educational institution. The capitation fees would thus be placed at the levels which are in several multiples of the currently prevailing tuition fees, depending upon whether we accept or not the benefit system of educational finance.

The capitation fees coupled with the system of concessions and subsidies would satisfy the ability to pay principle of educational finance as well. Those who are in a position to pay for education would be required to pay the full cost of education in advance. The fees would thus be considered as the capitalised value of cost of provision of education if the cost principle is involved or the capitalised value of the stream of earning benefits of education throughout the life-time of the educated, if the benefit principle of education is considered. In this sense, the capitation fee system can be considered to be a system of recovery of fees in advance.

The capitation fees linked with the system of subsidisation for the under-privileged would amount to a dual pricing of the service of education. Economists have accepted the merits of dual pricing of various goods and services in view ot the large inequities in the society. The system of dual pricing would satisfy both the objectives of equity and efficiency. The objectives of efficiency are also satisfied because the high levels of fees or prices, which are equated with the benefits received, would lead to an optimal allocation of resources in the economy.

Even though the capitation fee system has certain advantages as outlined above, it is necessary to consider some of the subtle aspects of this system of educational finance from the point of view of inter-generational equity and efficiency. The capitation fee system would attempt to pair the ability to pay of the parents or the guardians with the cost of education for the wards, and thus, the ability of pay principle would be satisfied, for, the students are, by and large, dependent on their parents or guardians. The benefits of education accrue to the wards while the cost of education is borne by the parents through capitation fees. This amounts to a backward shifting of the incidence of cost of education in the time scale. If the parents or the guardians live long enough to enjoy the benefits from the education of their wards after their educated wards are employed and they start earning, the benefits of education would also accrue to the financiers of education, i.e. the parents or guardians. However, normally, parents or guardians do not live throughout the working life-time of their wards. In this sense, the benefits of education accrue only partially to the financiers of education. Hence, this amounts to inter-generational inequity, which is involved in the system of capitation fees. There is also an implicit assumption that the wards take care of their parents in their old age, which sometimes is not a valid assumption. In general, the capitation fee system assumes joint family as the unit for recovery of cost of education. When the joint family is fast breaking down on account of several reasons, the capitation fee system under such circumstances would amount to inter-generational unfairness. From another point of view also, there seems to be inter-generational inequity. If the capitation fees were not to be paid, the amount involved would have remained with the parents, fetching interest on the huge sums of money. Both the capital and interest would have enabled the parents to improve their standard of living, which is denied if the capitation fee were paid.

For inter-generational equity in educational finance, the principle of benefit charging has to be strictly adhered to.. This means that the beneficiaries of education should themselves pay for their education. The argument that the currently educated earners, who had not paid fully for their education in the past, should now be compelled to pay fully for the education of their wards, may apparently sound logical. In this line of reasoning, there seems to be inter-generational equity in a broad sense of the term. However, since the current earnings of the educated are likely to be lower than the future earnings of the educated and also since the current costs of education are likely to be higher than the costs of education in the past, the system of capitation fees would impose heavier burdens on the parents and the guardians in the inter-generational scale. Also in this sense the principle of ability to pay may not be satisfied by the capitation fee system.

This suggests that for the purpose of inter-generational equity and also for honouring the principle of ability to pay, the actual beneficiaries must be charged the cost of education. This means that the students themselves should pay towards the cost of their education. This is a completely unrealistic and impracticable proposition, for the students are dependents, and they cannot pay even the currently prevailing low rates of tuition fees themselves, leave alone the huge sums of money in the form of capitation fees. Since the educated individuals are likely to get good jobs, the ability principle and the benefit principle would be satisfied if the students are asked to pay for their education after they start making their earnings. Since students are likely to get different types of jobs with varying earnings, different amounts of fees have to be recovered from them while on their jobs. The fees should not be fixed sums of money, but they must be fixed in relation to the earnings that they make. This system of financing education may be termed as the *postponed fee system* as compared to the capitation fee system which is *the payment of fees in advance.*

The postponed fee system seems to be more logical, but not necessarily an administratively more convenient system of mobilising resources for education. Recently, a variant of this system, namely, the payment of postponed fees, is being introduced in some institutions in the form of collection of funds from the Alumni.

The System of Postponed Fees

From the above discussion on capitation fee system, the logical conclusion was that while it is necessary to recover the cost of education from the beneficiaries, it would be unfair and impracticable to recover this cost from the students or the parents, while the students are receiving education. The cost of education should be recovered from the beneficiaries, namely, the students. after they have achieved some ability to pay. Since education is one of the most important determinants of employment and earnings, it is legitimate that those who receive education should pay for its cost after they are employed and they start making an earning. This system of contribution towards the cost of education after education starts yielding monetary gains to its recipient may be termed as the system of fees for the past education or system of postponed fees. The educational institutions should be in a,position to mobilise the funds from their Alumini through such a system of postponsed fees.

In the system of postponed fees, just as in the system of regular tuition fees, there exists a *quid pro quo* between the supplier of education and the recipient of education. However, in the case of the former, this *quid pro quo* has a varying time lag. The actual time lag depends upon which level of education is considered as terminal and what is the waiting period involved in getting an appropriate job. So, the system of recovery of cost from the Alumni involves a lagged *quid pro quo* between the supplier of education and the beneficiaries from education.

The system of postponed fees when legitimized, raises certain issues of practical importance. For instance, the system should provide for the identification of the Alumni, their follow-up and a mechanism of the recovery of the cost of education from them. It should also reinstate and formalise the link between the educational institutions and the recipients of education, which is broken with the students passing out in the examination conducted by the educational institutions. The system should also provide for some authority for the educational institutions to recover the cost from the Alumni after the reinstated links are formalised. There should also be a formula for determining the actual amount that is to be recovered from different employees with different types and levels of education, for, the cost of education and the earning prospects from education vary for different types and levels of education. The formula should recognise the fact that the cost of education is being recovered after a time lag.

In the system of postponed fees, the major underlying principle is that the cost of education must be recovered from the beneficiaries of education. In the discussion so far we focused our attention on the students as the beneficiaries from education. However, it should be recognised that the employing agencies using the skills of the educated employees in their economic activity are also the major beneficiaries of education. Thus, the system of resource mobilisation through lagged *quid pro quo* should explicitly incorporate the employers as another component of the beneficiaries. Even though it may be difficult to estimate precisely the extent of the benefit that the employing agencies would realise from employing educated individuals, it is safe to observe that the upper limit for such an estimate of the benefit would be the salary the employer is prepared to pay to the educated employee. If it is possible to estimate precisely with the help of quantitative techniques, the contribution of education to the objective function of the employer, then this system of lagged recovery of the cost of education would require some contribution from the employing agencies as well. Thus, the system of lagged fees or postponed fees suggest the mobilisation of funds from the educated employees and the employers of the educated individuals.

Ideally these beneficiaries should continue to contribute towards the education fund of the educational institutions over an extended period during which the benefits flow. This period may be determined by the age of retirement of the employee in the case of employer, and age of employability in the case of the educated employee. Even though the benefits accrue to the employee even after his age of employability (say, when he starts losing his basic faculties on account of age), we may consider such benefits as pure consumption benefits, which do not fetch any economic return to the educated individual. Thus, the period during which the beneficiaries are expected to contribute towards the education fund of the educational institutions may, by and large, be spread over the period of actual job. Even though the employee may change his job, each employer is liable to contribute towards the education fund as long as the particular educated employee continues in service with him.

At present, the employing agencies are not a party to the *quid pro quo*. However, they are the beneficiaries from education. It is as though they ride free in respect of the benefit from education. The salary that is paid by the employer is a reward for the services from the skills embodied in the educated employees. This may be viewed as covering only the recurring component of education, but not the capital component. The skills are in the form of the capital component and the services from the skills are the recurring component. The employers meet only the cost of recurring components, but they do not share the cost of capital component. This seems to be unfair particularly when we view the recurring component to be entirely dependent upon the capital component. The cost of creating the capital component must also be met by the beneficiaries of the results from the capital component. The postponed fee can be considered as a useful instrument of mobilisation from the beneficiary-employing agencies so that the above-mentioned anomaly is adequately corrected.

The practical question in respect of the system of lagged fees is what should be the amount of such fees and how it should be shared between the employer and the employees. One may suggest a broad guideline for determining the amount of such lagged fees as :

The amount of fees = (cost of education — tüition fees already paid)
+ interest on this amount.

This would refer to the amount of fees to be paid by the educated employees. Payment of this amount may be spread over a period of time with an appropriate adjustment made for the payment over time.

The employers of the educated individuals may contribute to the education fund to the same extent as the educated employees. But, the employing agencies should continue to contribute this sum to the education fund over the employment period of the educated employee. This suggests that while the system should aim at recovery of the cost of education from the educated employees — Alumni — the system should mobilise funds from the employing agencies towards the education fund of the educational institutions. This fund may indirectly imply the extent of economic gain that the employer has been able to recover on account of the employment of the educated individual.

If this system is to work effectively, the educational institutions will be required to keep a track of their Alumni. There must be a regular system of following up the Alumni in their different careers and occupations. Just as the members of the family keep the head of the family informed about their whereabouts when the members are away from the family, in the same way, the past students should keep their Alma Mater informed of their development. Instead of leaving this to the option of the Alumni, the system of informing the educational institutions about their job addresses must be a statutory requirement of getting a degree and also of obtaining a job in the registered concerns. The employers may be treated as agents on behalf of the educational institutions, to collect the postponed fees from the educated employees and also to contribute their own share, determined according to the above formula (It may be noted that the sellers are treated as agents for collection of taxes in the case of sale taxation. The same idea may be tried in the case of lagged fee system).

Since it may be difficult to keep track of the individuals passing through the educational institutions at different stages because of the large numbers involved, the system of lagged fees may be tried to start with in the case of the universities. Since in our system it is the universities which award the degrees and diplomas, it may be easy to keep a track after they get their degrees and diplomas. The details of sharing the funds so collected with the colleges can be worked out, once the system of lagged fees is accepted in principle. The principle of sharing may be determined by the university and the colleges after mutual consultation. Some principles may be evolved on the lines of the principle of resource transfer in the field of Centre-State financial relations.

Endowments and other Private Sources of Educational Finance

Historically, education has enjoyed patronage of the munificent donors in the private sector. In fact, the noted institutions of higher learning in India were started by the substantial donations from the individual donors or the charitable trusts. The private sector has taken in the past significant initiatives in the development of educational institutions at all levels of education. Even if we take the post-independence period, we find that private sources of finance other than fees had contributed as much as 12 per cent of the total educational expenditures in the year 1950-51. In 1978-79, however, the share of endowments and other private sources declined to a deplorably low level of 3 per cent.

It should be noted that the above data do not refer to the investments made by the public and the voluntary agencies in the initial stages of the establishment of the institutions and later at the time of their further growth. Practically, all the major institutions of higher education have come into being on account of private donations for the non-recurring expenditure in the form of land, buildings and equipment. Unfortunately, no detailed data about the contribution of the private sector towards the infrastructural development, are available. A casual glance at the names of the various educational institutions would reveal that the development of the institutions of education in a large number of cases, has been the result of the initial seed money contribution by the individual or institutional donors in the private sector. It is true that the institutions so started by the private sector would depend on the governmental sources after a certain stage. In fact, according to the grants-in-aid code of different states, the institutions become eligible for financial assistance from the government only after a period of two to five years of their establishment. This shows that the dependence on the public sector of the educational institutions started by the private sector is legitimised by the formal system of financial assistance from the government.

Endowments at Different Levels of Education

The data reveal that the voluntary educational organisations have been playing a different role in the promotion of education at different levels. It is revealing that the resources from these voluntary organisations are much larger than the funds from the local bodies for the purpose of education. If we take the other sources as consisting of endowments and donations for education, then this item contributed to the extent of around 10 per cent of the total direct expenditures and around 11 to 20 per cent towards the indirect expenditures. On the whole, the endowments and donations constituted around 7 to 12 per cent of the total educational expenditure during the period 1950-51 to 1965-66. There is, however, a gradual decline in their role over the period of time in the case of direct expenditures. For instance, the importance of endowments and donations declined from 9 per cent to 6 per cent during 1950-51 to 1965 and 1966. During the same period, these sources declined in their importance from 21 per cent to 11 per cent so far as the indirect expenditures are concerned. This percentage for the total educational expenditures in the economy declined from 12 per cent to 7 per cent, which has further declined to the low level of 3 per cent in 1978 to 1979.

Even though the endowments have been forming a declining proportion in educational expenditures, in absolute terms, they are showing a fairly good rate of growth. During the First Plan period, endowments and other sources of education increased by 6.5 per cent per annum. During the Second Five Year Plan period, they increased by 9.6 per cent and during the Third Plan period the increase was of the order of 8.5 per cent per annum. For the three plans taken together, the endowments increased at the annual rate of 8.2 per cent.

The role of endowments and other sources varies from one level of education to another. In the case of pre-primary education, the private enterprise has played a significant role. They constituted nearly 23 to 27 per cent of the total direct expenditures on pre-primary schools. During the first two plans they increased at the rate of around 20 per cent per annum. Thus, the bulk of expenditures on pre-primary education came from the private sources, namely, the fees endowments and the endowments alone also showed a fairly high rate of growth.

So far as primary education is concerned, endowments and donations had a very small role to play. They constituted hardly 3 to 4 per cent of the total direct expenditures on primary schools. The rate of growth of the endowments was also only around 2 per cent. These figures related to the first decade of planning.

The endowments and other sources constituted around 6 to 10 per cent of direct expenditures on higher primary schools during 1950-51 to 1960-61. Their importance declined in the total direct expenditure from 10 per cent to 6 per cent.

With regard to secondary education also, the endowments played more or less a similar role as in the case of higher primary education. They constituted around 8 to 10 per cent of the direct expenditures during 1950 to 1960 with their role declining gradually over period of time. The average annual growth of endowments was around 9 per cent.

The munificence does not seem to be playing a satisfactory role with regard to the financing of Teacher Training Schools, because their role has been actually declining from 9 per cent of total expenditures to 4 per cent, with a negative rate growth. During the same period 1950 to 1960, the endowments shared around 8 to 12 per cent of the total direct expenditures on vocational and technical education at the school level. Their annual rate of growth was also around 8 to 9 per cent. In the case of schools of special education, however, the endowments have played a fairly significant role during the 1950's; they constituted around 25 per cent to 36 per cent of the total direct expenditures. However, their annual rate of growth was very marginal constituting around 2 per cent. In the case of University education, the endowments and other sources, which formed 24 per cent of the total direct expenditures in 1950-51, declined to 16 per cent in 1960-61, with an average annual rate of growth of 7 per cent. About 1/10th of direct expenditures in the Arts and Science Colleges of the country was financed through endowments and donations during 1950 to 1960. Their annual rate of growth varied between 12 to 15 per cent during this period. Even though endowments and donations increased at a fairly high rate of growth, they constituted a declining proportion of the total direct expenditures. In the case of colleges for Teacher Training, they formed around 9 to 12 per cent of the total direct expenditures with the rate of growth varying between 18 per cent to 21 per cent. For professional education, in contrast to colleges of general education, the endowments formed around 7 to 8 per cent with an annual rate of growth of 13 per cent. Even though the annual rate of growth is observed to be the same in both the cases, the share of endowments and donations was higher in the case of colleges of Arts and Science as compared to the colleges for professional education.

So far as indirect expenditures on education are concerned, the endowments and donations played a varying role with regard to the different components of indirect expenditures. While in the case of direction and inspection, the endowments had a very significant role—they financed around 15 to 30 per cent of the expenditure on buildings during 1950 to 1960. Resources from endowments and donations for the educational buildings increased at an annual rate of around 9 per cent during this period. It is generally believed that the private donors donate to the educational institutions significantly for the purpose of scholarships and other financial purposes. However, the figures show that over the period of 1950 to 1960, their role in financing the scholarships and financial concessions has declined significantly from 15 per cent of total expenditures on this head to 6 per cent with the annual growth ot around 9 per cent. Private donations seem to have contributed to the extent of nearly 25 per cent of the expenditure on hostels during 1950 to 1960.

Thus, from the above brief description, we find that private sources of finance have by and large played an important role in respect of pre-primary education, special education and university education. At the school educational level, the private sources have not made any significant contribution to the development of secondary education. In the case of primary education, it is the responsibility of the state to provide free and compulsory primary education for all the children below 14 years of age. Hence the private sources of finance do not seem to have concentrated on this level of education. At the higher educational level, even though universities enjoy a fairly good patronage from private munificence, colleges for different types of education do not enjoy the same patronage. In general, Arts and Science colleges have better attracted funds from private sources as compared to colleges for professional education. This suggests that in spite of the declared policy of promotion of professional education, the private sources have not followed this declared policy.

So far as indirect expenditures are concerned, private sources have helped developing the basic infrastructure like buildings and hostels. However, in the actual process of giving education, the private sources do not seem to have paid much attention to aiding the states through scholarships and financial concessions.

Since detailed data on the private sources of endowments and donations were available only for the first decade of planning, we could attempt the above analysis for this period. For the subsequent period, the data are available only in less details.

Thus, the role of endowments and other private sources differs from one level of education to another, and one type of education to another. It is also observed that the role of endowments and other private sources is different in different states. This raises the question as to which are the factors that determine the flow of funds from the public sector. It is also necessary to see the inter-relationship between the flow of funds from the private sector and the flow of funds from the public sector. We propose to examine some of these aspects in the following paragraphs.

Donations for Education : A Behavioural Model

Donations to the educational institutions can be looked at from the point of view of the agency making donations and also from the point of view of the institution receiving donations. It may be useful to examine the motivation of the donors and the motivations and responses of the recipients of donations. Knowledge of these aspects of donational activity might help in making adjustments in the public policy towards donations with a view to encouraging such contributions to education.*

The donors may be guided by purely philanthropic considerations or considerations of self-interest, such as the status in society, the resultant tangible advantages in the form of gains in the job market for the self or the relatives, power and authority in the management, etc. Self-interest may also be in the form of tax advantages on account of donations, because most of the tax laws provide for the donations as deductions from the gross income before the taxable incomes are estimated. Even though the quantitative significance of these various factors in the donational activity may not be easily determined, even a qualitative assessment of these factors may help in orienting the various policy measures for promoting donations for education.

The donations would have certain implications for their recipients. The donee institutions may have to abide by the conditions and stipulations of the donation. Thus, the autonomy of the educational institutions receiving donations may be curtailed to some extent. The optimum magnitude of the donations to be received by the educational institutions may depend upon the tolerable limits of the restrictions on the autonomy.

Thus, at a particular point of time, the actual donations may be the result of the various factors determining the supplies of donations and the factors determining the optimum magnitude of donations to be received by the educational institutions. Viewed in this background of the micro-behavioural analysis, the major tangible determinants of donations may be listed as below :

(1) The present value of the monetary gains from the job market accruing to the donor over his life time, or during the time horizon of the donor.

(2) The present value of tax savings on account of the deductibility of the donations from income.

(3) Needs for non-governmental funds as experienced by different educational institutions.

(4) The extent to which the donations are in line with the plans of development of the educational institutions so that donations do not curtail the autonomy of these institutions.

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* These behavioural aspects are examined in detail in the study by the author : *Economics of University Finances*, Centre for Multi-Disciplinary Research, Dharwad.

In view of the lack of adequate data on the above factors, we have not been able to attempt a quantitative analysis of the micro-behavioural aspects of donations for education. The analysis of the macro-trends may also provide some insights into the behavioural aspects of the donations as a source of educational finance. This analysis is attempted below.

The macro-trends of donations may refer to the all-India trends over the period of time or the inter-state, or male-female cross-section data on donations.

In the earlier paragraphs, we have made some observations about the inter-temporal trends in donations for education. The donations have varied not only from one point of time to another, but also from one state to another. There is a variation also with regard to donations for educational institutions for girls and for boys. For example, if all institutions are considered, donations played a predominant role as a source of educational finance in states like Karnataka, Bihar, Meghalaya, Orissa and Himachal Pradesh. For the boys' institutions, donations played a major role in the states of Bihar, Orissa and Gujarat. In the case of institutions for girls in the states of Meghalaya, Andhra Pradesh, Tamil Nadu, Kerala, Haryana and Bihar, the donations played a major role. In respect of all these states, donations constituted around 10 per cent of the total direct educational expenditures in the year 1970-71, for which detailed data were available (Please see the tables in the Appendix to this chapter).

Why do the donors behave differently in different states and for education of boys and girls. If the state is having a high rate of illiteracy, one would expect the donors to contribute their mite in reducing the illiteracy rate by starting educational institutions through their donations. Thus, one may expect a positive association between the donations and the illiteracy levels. Similarly, with larger enrolments, the financial needs of the educational institutions may increase. If the institutions are not able to mobilise funds from governmental sources, donations from the munificent donors may be felt necessary and desirable. Donations would obviously depend upon the capacity to donate. Hence both enrolments and the capacity to donate (which may be reflected by the *per capita* income) may be positively associated with the educational donations. With inflationary tendencies in the economy, the donors may find it extremely difficult to maintain their flow of donations in view of the smaller disposable incomes during inflation, holding other things constant. However, if the incomes also increase more than proportionately during inflation, then the inflationary forces may be associated positively with the educational donations. Marginal propensity to spend is generally found to be high for lower levels of income and low for higher levels of income. Higher degree of income inequality in the society may thus imply higher capacity to save and hence more donations. Sometimes, the unaccounted income may find a useful outlet in the form of donations for education. Hence, the larger the extent of parallel economy, larger are likely to be the educational donations. Keeping in mind these broad associations between donations, on the one hand, and the various factors listed above, on the other, a quantitative analysis was attempted with cross section data and the all-India time series data. Following are the results of the quantitative analysis :

(1) Educational donations as percentage of total direct expenditure on education = F (effective literacy (i.e. literacy of persons above four years), X_1, enrolment in all educational institutions (lakhs), X_2, per capita income of the state in current prices, X_3, consumer price index number of working classes with 1960 as the base (indicating the inflationary trends), X_4, percentage of people below poverty line in each state, X_5).

I A: Model for all Institutions for 1970-71 :

b_0	=	3.2345	*T. Values*			
b_1	=	−0.0739	−1.0089	TSS	=	122.3369
b_2	=	− 0.0016	−0.0701	RSS	=	19.46
b_3	=	0.0069	1.0384	ESS	=	102.8764
b_4	=	−0.0225	−0.8975	R^2	=	0.1591
b_5	=	0.1089	1.2780	F	=	0.4918

I B: Results of double log specification or relationships :

b_0	=	−2.1636	*T. Values*			
b_1	=	−0.0123	−0.1313	TSS	=	0.2764
b_2	=	0.0132	0.0579	RSS	=	0.0149
b_3	=	0.0206	0.0338	ESS	=	0.2614
b_4	=	1.1249	0.3853	R^2	=	0.0542
b_5	=	0.1949	0.3896	F	=	0.1032

I C: Results for the donations for boy's Institutions 1970-71:

b_0	=	4.6485	*T. Values*			
b_1	=	-0.0992	−1.7004	TSS	=	56.08
b_2	=	0.0064	0.2554	RSS	=	20.8417
b_3	=	0.0035	0.6940	ESS	=	35.2385
b_4	=	−0.0125	−0.1598	R^2	=	0.3716
b_5	=	0.1040	1.5974	F	=	1.0646

I D: Results for the double log specification of the relationships for the boy's Institutions 1970-71 :

b_0	=	3.1519	*T Values*			
b_1	=	−0.8821	−1.4479	TSS	=	0.3474
b_2	=	0.1124	0.5566	RSS	=	0.1094
b_3	=	0.2751	0.4021	ESS	=	0.2380
b_4	=	−1.1785	0.4242	R^2	=	0.3149
b_5	=	0.4499	0.8339	F	=	0.8276

I E : Donations for girls' Institutions 1970-71

b_0	=	0.9768	*T Values*			
b_1	=	0.0531	0.5190	TSS	=	288.6263
b_2	=	0.0107	0.1037	RSS	=	36.0002
b_3	=	0.0056	0.5600	ESS	=	252.6260
b_4	=	−0.0227	−0.5929	R^2	=	0.1247
b_5	=	0.0971	0.7557	F	=	0.3705

I F : Results of the relationships with double log specification:

b_0	=	−21.5179	*T Values*			
b_1	=	−0.4403	−1.2051	TSS	=	0.8118
b_2	=	0.2045	0.9419	RSS	=	0.4396
b_3	=	2.0334	2.3533	ESS	=	0.3722
b_4	=	6.3527	1.8205	R^2	=	0.5415
b_5	=	1.4954	2.4313	F	=	2.1256

The above results for all institutions — for boys' institutions and for girls' institutions — seem to be in accordance with our expectations, particularly with regard to some of the important variables like literacy and the poverty index. The explanatory power of the various models is not highly satisfactory. It varies between 5 per cent to 54 per cent of the variation in the dependent variable, namely, donations as percentage of total direct expenditures on education. The all-institutions model could explain only 16 per cent of the donations. The statistically significant variable in the model was poverty index, which had a positive association with donations indicating that the extent of inequality has positive influence on the donations. The model for the boys' institutions could explain around 31 per cent in the double log specification and 37 per cent in the other specification. In respect of both these results, the literacy rate is statistically significant. The literacy rate had the negative association. In one of the models, the poverty indicator, which had a positive association , was also statistically significant. These results are in accordance with our expectations. In the case of girls' institutions, the model could explain only 12 per cent in the case of non-log specification and 54 per cent in the case ot double log specification. The model which could explain 54 per cent of change in the donations had nearly tour variables which were statistically signiticant. *Per capita* income, consumer price index number and poverty index had all a positive association with educational donations. Thus, the higher capacity to donate and inequalities in the economy, associated with intlationary trends, are probably the elements of a good climate for larger educational donations. The literacy rate had a negative association with donations indicating that the donors are motivated to improve the situation where literacy rates are very low.

In the case of all-India data over the period of time, we consider donations for education as a function of enrolment (X_1) *per capita GNP*,

(X_2), wholesale price index number (1970-71 = 100) (indicating the inflationary trends) (X_3) and the unaccounted income (Rs. in crores) in the economy (as estimated according to the Wanchoo Method) (X_4). The data were available for the years 1950-51, 1961 to 1970-71 and 1978-79. The model could explain 88 per cent to 94 per cent of the variation in educational donations with high F value. The results are stated below :

II A: Endowments and other sources, Rs. in crores = F(X_1, X_2, X_3, X_4)

			T Values			
b_0	=	−30.3672				
b_1	=	0.0671	1.9851	TSS	=	5046.5108
b_2	=	−0.1478	−0.8737	RSS	=	4722.6146
b_3	=	1.3970	1.3648	ESS	=	323.8963
b_4	=	0.0025	0.2232	R^2	=	0.9358
				F	=	29.1613

II B : Double log specification of the above relationships :

			T Values			
b_0	=	−0.8265				
b_1	=	1.6350	3.9539	TSS	=	0.5601
b_2	=	−4.1324	−1.9122	RSS	=	0.5260
b_3	=	3.9726	2.0962	ESS	=	0.0340
b_4	=	0.5253	1.2905	R^2	=	0.9393
				F	=	30.9241

II C : Endowments as percentage of total educational expenditures :

			T Values			
b_0	=	9.1799				
b_1	=	−0.0089	−2.4488	TSS	=	49.5767
b_2	=	−0.0359	−1.9569	RSS	=	45.6872
b_3	=	0.2883	2.5904	ESS	=	3.8295
b_4	=	5.2915	0.4342	R^2	=	0.9226
				F	=	23.8604

II D : The double log specification of the above relationships :

			T Values			
b_0	=	3.4856				
b_1	=	0.4889	1.1614	TSS	=	0.2326
b_2	=	−4.1701	−2.1488	RSS	=	0.2065
b_3	=	3.6385	2.1954	ESS	=	0.0262
b_4	=	0.1477	0.3945	R^2	=	0.8874
				F	=	15.7634

The major problem with the above four statistical models is that there is a high degree of multicollinearity among the independent variables. Otherwise, the results are fairly interesting. For example, enrolment is found to have positive association with the educational endowments. Endowments seem to have a negative elasticity with respect to income. With inflation, endowments have also increased. The endowments and the size of the parallel economy are closely associated in the positive direction, larger unaccounted economy contributing to larger endowments.

Public Finances and Private Charities : Complementary or Substitutive

In the discussion on fiscal policy, it is generally argued that the various tax incentives that the government provides would promote private investment activity. It is also argued that the public expenditures in general would stimulate private expenditures, both for consumption and investment. The quantitative significance of the tax incentives for private expenditures on education, particularly the private charities, has not been estimated so far on account of the data problems.

The stimulative effect of public expenditures on the private expenditures can be appreciated in the framework of intersectoral interdependence. Such Keynesian multiplier effects of the public expenditures on private expenditures can be usefully analysed with the help of the tool of input-output analysis. This would also require a detailed break-up of the expenditures of the government according to the different sectors. In the case of public educational expenditures, such a sectoral break-up is not available. From this point of view, an alternative methodology was adopted wherein the private finances for education through donations and charities were considered to be a function of the public finances for education. This type of specification of the relationship between the private finances and the public finances seems to be in order because the public finances can be considered to be an exogenously determined policy variable.

We attempted a quantitative analysis of the above relationship with the following specifications:

(I) Endowments and other sources of education as percentage of total direct expenditure on education as a function of the percentage of public funds for education to total direct expenditure on education.

(a) Linear specification. (b) Loglinear specification.

(II) Endowments and other sources of educational finance (Rupees in crores) as a function of the public finances for education (Rupees in crores).

(a) Liner specification. (b) Loglinear specification.

The results of the quantitative analysis using the all-India data from 1950-51 to 1970-71 are presented below:

Regression coefficients:

I (a) b_0 = 37.0050 *T values*
b_1 = -0.3903 -9.0550

TSS = 59.9235
RSS = 48.6500
ESS = 11.2735
R^2 = 0.8119
F = 81.9935

Regression coefficients:

II (b) b_0 = 7.3853 *T values*
b_1 = −3.4710 −7.3698

TSS = 0.1813
RSS = 0.1343
ESS = 0.0470
R^2 = 0.7408
F = 54.3143

Regression coefficients:

II (a) b_0 = 9.3590 *T values*
b_1 = 0.0684 20.9387

TSS = 6096.52
RSS = 5843.2957
ESS = 253.2291
R^2 = 0.9585
F = 438.4277

Regression coefficients:

II (b) b_0 0.5711 *T values*
b_1 = 0.3798 5.7939

TSS = 1.1022
RSS = 0.7038
ESS = 0.3984
R2 = 0.6386
F = 33.5688

From the above exercises, one can see that the public finances and the private finances of education are fairly closely associated. When we consider the absolute magnitude of private and public finances, we find that the public finances have actually stimulated the private finances for education. With every hundred crore of rupees of public finances for education, the private finances have increased by nearly Rs. 7 crores. However, when we consider the relative role of the private and public finances in the total educational finances over 20 years, we find that public finances have actually reduced the role of private finances. With every 10 per cent of increase in the public finances, private finances for education have declined nearly 4 per cent. These seem to be fairly significant conclusions from the point of view of "promotional role" of the public sector in respect of generation of private finances for education. Considering a very low stimulative effect of the public finances, it is reasonable to conclude that continued interventionism in education seems to have sapped the private initiative in respect of the supply of funds through charities and donations for education. From the viewpoint of equity and equality, the increasing public intervention in the educational finances may not only be not objectionable, but also desirable. However, public intervention should be so planned that there are no negative externalities of this intervention from the point of view of the private sector role in education. That there have been negative externalities seems to have been borne out from the above brief statistical study.

Even though the above statistical exercises may not provide a conclusive analysis of the quantitative significance of different factors, so far as educational donations are concerned, the exercises do provide some insights into the behaviour of educational donations. These exercises only indicate that there is scope for further quantitative research work in this field. Rigorous quantitative exercises may help in examining the significance of the basic motivational and other factors for the flow of educational donations and thereby help in the formulation of the public policy, such as policy of providing deductions and concessions against educational donations, the policies with regard to the mobilisation of the unaccounted income in the economy, etc. The quantitative exercises attempted in this chapter may be considered to be a modest first step and not a conclusive step in this direction.

Educational Enterprise in the Private Sector – Parallel Educational Institutions

In the post-independence period, the educational development in the country has witnessed the emergence of another set of institutions. These institutions are quite different from the formal educational institutions like schools and colleges. They may be said to be parasites of development of education in the country. Such institutions have developed mostly in the major towns and cities. These institutions may be termed as parallel educational institutions. They are entirely the result of private enterprise and initiative. Sometimes, these institutions are registered under the Shops Act. Most often they are not registered at all. They are of varying sizes with the students' strength varying from one student to several thousand students. They are called by different names as tuition classes, tutorial classes, coaching classes etc.

The practice of giving special coaching to selected students during the off-school hours was prevalent even before independence. However, the objective of such informal efforts made by the teachers of the schools and others used to be to make good the deficiencies of the students in a given subject or few subjects so that such students would come upto the standards maintained by other students in the school. Thus, these institutions which were largely single teacher institutions used to play a supportive role to the formal system of education. With inflation in the country, particularly during the plan period, the formal institutions both at school level and college level, grew in size. The educational institutions started running shifts. Schools and colleges, particularly in the big cities and towns, thus deserve the epithet of teaching factories, as described by Karl Marx. On account of entry of the first generation learner into the educational stream, the student population in each class started becoming more and more heterogeneous. Increasing population, increasing social demand for education, stronger link between degrees and diplomas, on the one hand, and the job prospects, on the other, further inflated the rate of educational inflation. During the post-independence period, the educational sector has expanded many times faster than the economy. This is very clearly brought out from the enrolment expansion, particularly during the plan period. These developments strengthen the competitive forces in the job market. This has further caused educational expansion. Thus, competitiveness in the job market and competitiveness in education have fed on each other causing, what one may call, devaluation of education or over-valuation of jobs.

Since formal educational systems could not cope with the increasing numbers and hence they were unable to maintain the standards of education, the equilibrium in the educational system seems to have settled at a lower level of standards. With technological advances the level of technology demanded by the economy continues to rise. Thus, while, on the one hand, the demand for standards was pitched at a high level, the supply of standards from the formal educational institutions had settled at a lower level. In the prevailing system, the economy could depend upon only the formal educational system for its educational requirements. Thus, there has been a tremendous pressure placed on the formal educational system, which has been overburdened by numbers and on which tremendous responsibility of supplying the higher standards of skills was also placed. In the course of such developments, the vested interests of educational institutions also seem to have played their role in causing another development in the field of education. Sensing the great strength of competitive forces operating on both the educational system and the economy, the vested interests seem to have contributed to the process of devaluation of education by inflating the number of marks obtained by their own students at the crucial examinations. This process has led not only to the devaluation of degrees and diplomas, but also to the devaluation of first and second classes in the examinations. It has been commonly observed that students obtaining first class marks, who used to get admission in the next stage of education some years back, cannot hope to get admission even in the ordinary educational institutions dealing with the next stage in the educational ladder. These developments have necessitated the emergence of an agency outside the formal educational system, which would cater to the needs of the students in the background of the deficiency of the formal educational system. Thus, the emergence of the coaching classes has been due to the deficiencies of the formal educational institutions. Increasingly stronger link between the formal educational system and the job market has gone to strengthen, deepen and widen the agencies outside the formal system, which have a great supportive role.

Such parallel enterprises in the educational system generally seem to be clustering around the crucial examinations, which matter significantly from the point of view of the job market. Thus, competitive examinations, School Leaving Examinations, Post-Secondary Examinations and Degree

Examinations have around them the mostly deficient formal system and the supportive parallel educational system. The tuition classes, coaching classes and tutorial classes have increased in number and have also increased in student and teacher-strength, particularly in the big cities and towns. They cater to the needs not only of those who are currently part of the schools and colleges, but also those who belong to the formal system, but outside the schools and colleges on account of the failure in the examinations, the drop-outs etc. The strength of the coaching classes seems to be a positive function of the size of the student population in the formal system, the number of examinations held, the frequency of examinations held and also the capacity to pay of the parents of the students. The various innovations recently introduced in the educational system at different levels with regard to the conduct of examinations have contributed significantly to this process of strengthening of parallel educational institutions; for example, the provision to keep terms (allowed to keep terms ATKT), supplementary examinations, entry examinations, pre-recruitment examinations, etc. have gradually nurtured and legitimised such parallel educational enterprises.

Even though parallel educational enterprises played a supportive role in the field of education, they have a certain basic difference as compared to the institutions in the formal educational system. By definition educational institutions in the formal system are non-profit making institutions whereas parallel institutions are profit-making institutions. While formal institutions may have many sources, both private and governmental, for financing their activities, the parallel educational institutions depend primarily on the fees received from the students. Also while the formal educational institutions are under the control of the government either directly or indirectly, the parallel educational institutions are, by and large, outside the governmental influence with regard to their basic activities even though they may come under the control of the government if they are registered under the Shops Act, as some of them are. Even though the formal educational institutions also depend upon fees like parallel educational institutions, the fees charged by the latter are several multiples of the fees charged by the formal institutions. This characteristic feature of parallel educational institutions has a great significance from the point of view of the nature of equilibrium reached by the two institutions. While in the former, by and large, the standard seems to be low and hence the fees are low, it appears that the fees in the parallel institutions are high because the standards seem to be high. This suggests that the gap between the expected standards and the actual standards realised by the formal institutions is so wide that the parallel institutions which have come into existence to bridge this gap have been able to develop with very high fees. By and large the fees charged in the parallel institutions are based upon the full cost principle, where the concept of cost includes the substantial element of profits. Thus, while education in the formal system is highly subsidised, education in the parallel institutions is not subsidised at all. A case study of some coaching classes in Bombay has revealed that the number of coaching classes in the city has grown significantly over the years and also that the coaching classes have strengthened significantly over the period of time. All the coaching classes do not charge the same fees, implying that there is a high degree of competition even among the parallel institutions. In the major cities, even high fees in the coaching classes have not detracted the students from receiving the supportive services in education supplied by these parallel institutions. The coaching classes have been continuously prospering with higher fees. This suggests that the aspirants of education have a high ability to pay; but they are conscious of the standard of services that they get in return for the payment of fees. The *quid pro quo* relationship is strong and firm in the parallel educational system.

If the coaching classes charge high fees and these fees are paid willingly by the aspirants of education, why should such classes be termed by the ignoble name as parallel educational institutions on the lines of parallel economy? The parallel educational institutions may not be really objectionable if the objective is mainly to bridge the deficiencies of the students. These parallel institutions have legitimised the lower standards of the formal educational institutions. This seems to be an objectionable role played by the parallel institutions of education. Also since these institutions have the profit considerations in the main, and since the abilities to pay of the aspirants of the supportive educational services have been exploited fully by these institutions, the objective of equity is completely overlooked by the parallel system. Only those who have high abilities to pay can get these supportive services. As it often happens the ability to pay and the need for the supportive educational services are not in any way systematically related. Also since the students coming from the socio-economically backward communities need the supportive services more because of their backward educational backgrounds, these agencies responsible for the supportive services do not cater to the needs of such communities and the deserving sections of the community. From this point of view, the parallel educational institutions can be considered as only chasers of higher educational standards (measured in terms of examination results) and profits, which, in the process of the chase, would move away from such backward masses. The parallel educational institutions thus strengthen the elitist forces both in education and in the job market.

Since these institutions are outside the control of a single agency even though the formal system has close links with the parallel system, there is scope for the use of malpractices in the process of this linking between the formal and the parallel systems. Some elements in the formal system may betray the system, particularly in respect of examinations in the form of leakage of questions, malpractices in the assessment, etc. Such forces are largely due to the high degree of competition that exists among the parallel educational institutions.

Hence, the parallel educational institutions need to be brought under the control of a single agency, say the government or an autonomous agency. Control has to be essentially in respect of maintenance of certain standards and avoidance of malpractices. Instead of the government becoming such a controlling agency, it would be desirable to have an autonomous agency, which would exercise close scrutiny over the functioning of the coaching classes, tuition classes and tutorial classes. Some states (like Karnataka) have moved in the direction of formalizing the parallel educational institutions by introducing compulsory registration requirement. Even though this is a step in the right direction, formalisation of all the parallel educational institutions in the country does not seem to be on the cards.

Relevant Statistics regarding Determinants of Endowment Income: All India 1950-51 to 1978-79

Year	Endowments & other sources (Rs. crores)	(2) as % of Total Education Exp. %	Enrolment (Lakhs)	Per Capita Government income at current prices Rs	Wholesale Price Index No. 1970-71 = 100	Unaccounted income in the economy (Wanchoo Method) (Rs. crores)
1	2	3	4	5	6	7
1950-51	13.29	11.62	238.31	266	47.5	523
1951-52	13.29	10.67	—	276	50.5	553
1952-53	14.18	10.30	—	266	44.1	542
1953-54	14.92	10.10	—	280	46.2	579
1954-55	15.73	9.53	—	255	43.0	539
1955-56	18.20	9.60	—	264	40.8	561
1956-57	19.02	9.22	—	294	—	645
1957-58	21.93	9.11	—	294	—	659
1958-59	23.67	8.89	—	321	—	734
1959-60	25.68	8.55	—	325	—	759
1960-61	28.77	8.35	451.57	344	55.1	747
1961-62	32.72	8.26	504.64	358	55.2	801
1962-63	35.86	8.12	544.52	374	57.3	897
1963-64	38.29	7.91	583.42	421	60.9	1008
1964-65	26.23	4.91	635.50	483	67.5	1132
1965-66	41.44	6.66	670.67	494	72.7	1231
1966-67	47.95	6.87	710.91	554	82.8	964
1967-68	58.73	7.24	748.70	633	92.4	1563
1968-69	59.57	6.63	759.66	638	91.3	1651
1969-70	62.37	6.17	764.93	691	94.8	2104
1970-71	65.39	5.85	790.54	739	100.0	1908
1978-79	90.00	3.00	1012.18	1501	185.8	6625

Endowments for Education: Boys' Institutions 1970-71

		Total Direct Education Exp. Endowments %	Male Effective (Above 4 years) Literacy Rate %	Enrolment of boys (lakhs)	Per capita income Rs. at current prices	1971 consumer price Index No. Working Class 1960 = 100	People below poverty line %
(1)	Andhra Pradesh	5.2	38.43	32.41	586	187.69	47.85
(2)	Assam	3.5	44.31	14.22	570	178.10	32.95
(3)	Bihar	9.5	35.78	46.36	410	191.30	64.06
(4)	Gujarat	7.2	53.78	28.72	845	180.03	44.88
(5)	Haryana	3.3	44.02	10.79	932	193.00	32.44
(6)	Himachal Pradesh	0.01	50.32	3.80	676	NA	NA
(7)	Jammu & Kashmir	1.2	31.01	4.13	557	NA	NA
(8)	Kerala	2.5	77.13	26.65	636	196.13	62.25
(9)	Madhya Pradesh	4.6	38.77	32.19	489	189.23	57.50
(10)	Maharashtra	5.2	59.40	59.14	811	182.26	43.99
(11)	Meghalaya	6.3	40.44	0.95	644	NA	NA
(12)	Mysore (Karnataka)	5.7	48.51	28.79	675	192.94	49.44
(13)	Nagaland	1.5	39.65	0.73	508	NA	NA
(14)	Orissa	9.2	44.50	17.37	541	187.05	67.50
(15)	Punjab	4.7	46.22	13.57	1067	191.00	21.62
(16)	Rajasthan	4.2	33.87	20.08	629	186.22	43.50
(17)	Tamil Nadu	5.0	59.54	43.41	616	171.26	60.71
(18)	Uttar Pradesh	5.8	39.69	100.42	493	191.82	50.38
(19)	West Bengal	3.9	49.57	45.20	729	181.29	62.28

Endowments: Girls' Institutions 1970-71

		Endowments as % of Direct Expenditure	Female Effective Literacy (Above 4 years) %	Enrolment of girls (Lakhs) %	Per capita Income Rs.	Consumer Price Index No. 1960 = 100	People below poverty line %
(1)	Andhra Pradesh	9.4	18.32	18.90	586	187.69	47.85
(2)	Assam	1.0	23.52	8.49	570	178.10	32.95
(3)	Bihar	8.3	10.24	12.94	410	191.30	64.06
(4)	Gujarat	5.3	29.00	16.25	845	180.03	44.88
(5)	Haryana	8.5	17.77	3.37	932	193.00	32.24
(6)	Himachal Pradesh	1.5	23.67	1.82	676	NA	NA
(7)	Jammu & Kashmir	2.7	10.94	1.76	557	NA	NA
(8)	Kerala	9.6	62.53	23.01	636	196.13	62.25
(9)	Madhya Pradesh	4.1	13.08	11.67	489	189.23	57.50
(10)	Maharashtra	5.8	31.00	35.77	811	182.26	43.99
(11)	Meghalaya	18.0	29.31	0.81	644	NA	NA
(12)	Mysore (Karnataka)	6.1	24.55	18.24	675	192.94	49.44
(13)	Nagaland	—	21.56	0.48	508	NA	NA
(14)	Orissa	6.4	16.29	7.82	541	187.05	67.50
(15)	Punjab	6.4	29.91	8.39	1067	191.00	21.62
(16)	Rajasthan	6.2	10.06	5.09	629	186.22	43.50
(17)	Tamil Nadu	9.8	30.92	28.95	616	171.26	60.71
(18)	Uttar Pradesh	7.1	12.46	46.97	493	191.82	50.38
(19)	West Bengal	6.5	26.56	25.29	729	181.29	62.28

Endowments: All Institutions (Boys & Girls) 1970-71

	Endowments as % of Direct Exp.	*Effective Literacy Rate (all)* %	*Total Enrolment (lakhs)* %	*Per capita Income*	*Consumer Price Index No. 1960=400*	*People below poverty line* %
(1) Andhra Pradesh	5.79	28.52	51.32	586	187.69	47.85
(2) Assam	3.94	34.60	22.71	570	178.10	32.95
(3) Bihar	10.00	23.35	59.30	410	191.30	64.06
(4) Gujarat	6.73	41.84	44.97	845	180.03	44.88
(5) Haryana	6.00	31.91	14.66	932	193.00	32.24
(6) Himachal Pradesh	7.58	37.30	5.62	676	NA	NA
(7) Jammu & Kashmir	1.67	21.71	5.89	557	NA	NA
(8) Kerala	3.35	69.75	49.66	636	196.13	62.25
(9) Madhya Pradesh	4.73	26.37	43.85	489	189.23	57.50
(10) Maharashtra	5.97	45.77	94.91	811	182.26	43.99
(11) Meghalaya	9.89	35.06	1.75	644	NA	NA
(12) Mysore (Karnataka)	10.36	36.83	47.02	675	192.94	49.44
(13) Nagaland	1.26	31.32	1.21	508	NA	NA
(14) Orissa	9.49	30.53	25.19	541	187.05	67.50
(15) Punjab	5.89	38.69	21.96	1067	191.00	21.62
(16) Rajasthan	4.74	22.57	25.17	629	186.22	43.50
(17) Tamil Nadu	6.18	45.40	72.37	616	171.26	60.71
(18) Uttar Pradesh	6.23	25.44	147.33	493	191.82	50.38
(19) West Bengal	4.79	38.86	70.48	729	181.29	62.28

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CHAPTER FIVE

Public Financing of Education: A Review of the Institutional Framework

Source-wise analysis of the trends in educational finances for different levels of education suggests that education in general is emerging to be the responsibility mainly of the public sector. Government intervention in educational finances at different levels of education is primarily guided by the considerations of equity, where equity refers to inter-regional, inter-community and inter-personal equality in educational opportunities. Even in respect of the objective of equal educational opportunities, the emphasis seems to have been placed on the equal provision of facilities and the access to the facilities rather than the realization of equality in utilization of facilities and in the educational attainments. With this emphasis on equality in educational facilities as the main goal of State intervention, the philosophy of chasing the better off in respect of facilities has gained strength, and regional interest groups, community interest groups and individual interest groups have further strengthened their intervention in education.

In the Indian federal set-up, the intervention of different layers of government in education has created a peculiar institutional framework. This institutional framework, though intended for the smooth functioning of State intervention in education, has developed certain stresses and strains, which if left unattended to might prove to be self-defeating even for the general philosophy and objectives of State intervention. The State governments and Union Territories compete for the already scarce and 'dwindling' public finances for education. They demand more assistance from the centre. The local governments, which are conventionally responsible for the first level education, seek a larger flow of funds. The agencies responsible for the inter-governmental flow of funds themselves seem to have emerged as separate interest groups to wield more control and power on educational finances. The roles of such agencies, viz. the

Planning Commission and Finance Commission, have sometimes been mutually conflicting and alleged to be lacking a proper perspective. The objective of this chapter is to attempt a critique of the institutional framework for the flow of public finances to education. Particular attention is given to the discussion of the internal contradictions and the self-defeating forces within this institutional framework. In the light of this discussion, some suggestions are made for introducing correctives in the given framework.

Planning Commission, Finance Commission and Education

By and large, all educational expenditures of the governments of States and the Centre in India pass through the broad scrutiny of the Planning Commission and the Finance Commission before they are actually made. All expenditures on plan schemes have to be approved by the Planning Commission, a non-statutory agency. Expenditures on all the schemes which are completed in the earlier plans are considered under the broad head of non-plan expenditures, inclusive of committed expenditures, i.e. expenditures on the maintenance on Plan Schemes completed by the end of the immediately preceding five-year plan. Such expenditure requirements under the non-plan category are scrutinized by the Finance Commission, a statutory body appointed once in five years. Such a scrutiny by the two agencies is done to enable the States to claim plan grants on the recommendation of the Planning Commission largely under Article 282 of the Constitution (providing for Discretionary Transfers) and the non-plan Grants on the recommendation of the Finance Commission under Article 275 of the Constitution. Thus, all plan expenditures on education are assessed by the Planning Commission, which gets its authority only by convention, and the recommendations of which are strictly not binding on both the Centre and the States, but are 'normally' accepted by the Centre (as they are likely to be largely favourabe to the Centre) and are followed by the states in view of the commandeering influence of the Centre. The non-plan expenditures are assessed by the Finance Commission, the recommendations of which when adopted by the Parliament and approved by the President, are binding on the Centre and the States. There may be a small percentage of education expenditures which does not come under the approved plan or the non-plan categories, the responsibility for which is entirely with the concerned State government. This is largely the residual obtained after neither the Planning Commission nor the Finance Commission had approved such expenditures, but which expenditures are necessary according to the State.

From this brief account, it is clear that the Finance Commission's role begins where the Planning Commission's function ends. The expenditures coming under the scrutiny of the Finance Commission are, by definition, likely to be larger than those coming under the scrutiny of the Planning Commission, as the former are cumulative over several years' efforts in the past, whereas the latter are only additionalities. Future expenditure requirements assessed by the Finance Commissions are based upon the accomplished facts of the yester-years; but, in the case of the future expenditure requirements assessed by the Planning Commission, a fresh look and innovation are possible. In the case of the former, flexibility in approach is greatly restricted, whereas in the case of the latter, there is great scope for flexibility and discretion. This seems to be anomalous, as in the case of a statutory body, there are constraints but in the case of a non-statutory body, there is flexibility; the scope of the statutory body is conditioned by the functioning of a non-statutory body! All the same, in view of the larger magnitudes involved in education, the importance and responsibility of a statutory body like the Finance Commission are considerable. This importance is growing over a period of time as is clear from the table below:

Government Expenditures on Education (Rs. Crores)

Year	*Plan*	*Non-Plan*	*Total*	*Non-Plan as % of Total*
1951-52	20	84	104	81
1960-61	90	167	257	65
1970-71	115	7957	910	87
1977-78	290	2265	2555	89

Thus, while plan expenditures rose 14 times, the non-plan expenditures increased 27 times in the course of a little over a quarter of a century from 1951 to 1978. After 1960's the relative increase in non-plan expenditure has been quite steep, particularly during 1986-70, after which period, non-plan expenditures seem to have stabilised. The Plan expenditures, on the other hand, show a marked increase (152 percent) during 1970-71 to 1977-78 as compared to 1960-61 to 1970-71 (28 percent). In view of this, the non-plan expenditures in the 1980's are likely to increase still more both in absolute terms and relative to total expenditures, signifying the growing and overwhelming importance of the Finance Commission in the years to come. But, will the Finance Commission shoulder this responsibility effectively and efficiently? If history repeats itself, then the trends are not very encouraging.

The reasons for this feeling are as follows :

(i) There is an element of distrust between the Finance Commission and the State Governments, in particular.

(ii) The Finance Commission has exercised its authority of scrutiny with an element of arbitrariness without much consideration of the State objectives.

(iii) Even assuming that Finance Commission has kept State objectives in mind, non-plan grants to States and non-plan expenditures by States on different major heads and subheads in education seem to lose their correspondence and there is no mechanism to evaluate whether the States have stuck to the stipulations of the Finance Commission or not. There is only an indirect scrutiny of the State's performance in this regard by the next Finance Commission, but since each Finance Commission is a separate statutory body, with its own terms of reference and membership, no continuous evaluation and scrutiny are done. The Finance Commission also has very little time to devote its attention to these details of the past, as it is more concerned with the expenditure requirements of the future.

The Coefficient of Distrust

The Finance Commission invites from the State governments yearly details of receipts and expenditures for each head of account for the ensuing five years and subjects them to a close scrutiny. In the first instance, expenditures on fresh schemes are excluded, so also are receipts. For example, expenditure on starting of new schools, colleges and universities are outside the purview of the Finance Commission. Maintenance expenditures on the schemes of the previous plan are considered separately and these committed liabilities are estimated by adopting certain percentages of plan expenditures. Expenditures on all the non-plan items are estimated by adopting certain rates of growth which are sometimes common to certain groups of States. In this process of scrutiny, the forecasts of expenditures submitted by State governments are relegated to the background, and as a rule, the reassessed estimates by the Finance Commission are different from the State forecasts. By now, the State governments should be aware of the basic tenets of reassessment by the Finance Commission, as there is a fund of experience of dealing with eight Finance Commissions in the past. But even if the States follow the same or similar procedures, the Finance Commission invariably changes these estimates. What does it indicate? Does it imply that the Finance Commission believes the State governments to be basically inefficient, or deliberately over-estimating their education expenditures (as, except in a few cases, the reassessments are lower than the State forecasts)? One may term this as an exercise in distrust and the extent of relative deviation of reassessed estimates from State estimates as the 'coefficient of distrust', which is quantified below for the Sixth and Seventh Finance Commissions :

Coefficient of Distrust in Education

Expenditures on Education	*Eighth F.C.*	*Seventh F.C.*	*Sixth F.C.*
(Rs. Crores) Excluding Sikkim)			
State Forecasts	26866	12658	5904
Reassessments by Finance Commission	23222	11009	5449
Coefficient of Distrust (%)	–13.6	–13.0	– 7.7

Thus, the extent of distrust has increased from the Sixth Finance Commission to Seventh and Eighth Finance Commission. The coefficient of variation of the deviations of reassessment over forecasts has, however, declined from 211.6 per cent to 81.5 per cent (Seventh Finance Commission) indicating that this distrust is not uniformly distributed among all the states and that the Seventh Finance Commission has attempted to distrust the State governments much more uniformly than the Sixth Finance Commission!

In this background of distrust, the Ninth Finance Commission's terms of reference requiring it to adopt a 'normative approach' in the assessment of revenues and expenditures appears to have aroused further suspicion in the minds of the State governments that there is a likelihood of arbitrariness in the assessment exercise in the name of 'normative approach'.

Finance Commission More Arbitrary?

There does not seem to be any valid reason to believe that the State governments exhibit incompetence in developing their forecasts and the Finance Commissions display greater realism and competence in their reassessment. In most situations, the picture seems to be the reverse. For example, if we take all the States together and evaluate their forecasts in relation to the educational level achieved by them, then one should expect that the educationally better-off States should plan to spend 'relatively' less on non-plan items (assuming away the financial effects of the 'option effects' of lower education for higher education, as the fulfilment of these options ought to be a part of the plan rather than the non-plan) and the weaker States should spend more in the future. In other words, we should expect a negative correlation or at least a very low correlation between the forecast and the educational level achieved in this framework of reduction of inter-State disparities in educational levels. We find the following picture in this connection by taking the literacy level or the enrolment to population percentages as indicators of educational level. The table below also gives an idea about how reassessments are related with educational level.

Coefficients of Correlation

		Literacy level in 1971	*Percentage change in Literacy level in 1971 over 1961*	*Primary & Secondary students per 1000 population (Mid 1978)*
State Forecasts	VII	0.1993	—	VII — 0.2836
	VI	0.2780	VI — 0.4750	—
Finance Commission Estimates	VII	0.2483	—	VII — 0.2684
	VI	0.2725	VI — 0.4727	—
Percentage variation of Estimates over forecasts	VII	0.1726	VII — 0.2011	VII — 0.2064
	VI	0.1404	VI — 01474	—

We notice that our expectation is not fulfilled if we take either the State forecasts or the Finance Commission's estimates and the literacy levels of 1971, as the correlation coefficients are positive. However, the State forecasts for the Seventh Finance Commission behaved better as compared to the Seventh Finance Commission's reassessments of educational expenditures, since the value of the coefficient of correlation is smaller in the case of the former. If we take correlations with the enrolment percentages, then also we find that State forecasts rather than the Finance Commission's reassessments behave much better in accordance with our expectations. Possibly, enrolment percentages to population and enrolment ratios (w.r.t. population of relevant age groups) are much better indicators of educational level than the literacy level. The correlation coefficient between State forecasts and enrolment ratio for primary education was — 0.2680 whereas that between (Seventh Finance Commission) reassessments and enrolment ratios was — 0.2208. For the middle school stage, the respective correlation coefficients were — 0.4307 and — 0.4202. This shows that the States *as a whole* were much more rational and realistic in assessing their own non-plan needs in education than the Finance Commission and that inter-State equity considerations turned out to be better reflected in the State forecasts than in the Finance Commission reassessments.

Miscalculations and/or arbitrariness in the assessment of non-plan educational needs of the states at the hands of the Finance Commission are clearly seen if we consider the Statewise picture of the forecasts and reassessments. For example, in its reassessment, the Seventh Finance Commission assumes the non-plan expenditures on education to grow at a higher rate for States which have a better educational level than for educationally weaker States. Thus, for West Bengal, a State with a higher literacy level and enrolment ratios (for most levels of education), the non-plan expenditure is assumed to grow at a higher rate (7 per cent) than for, say, Karnataka for which the literacy level and enrolment ratios were, by and large, lower.

We also notice that the incidence of cuts in State forecasts effected by the Finance Commission through its reassessments has fallen more heavily on the States which have lower educational levels and which are economically less advanced than on others. For example, as seen from the table on next page, 'backward' States like Bihar and Rajasthan (only in the Seventh Finance Commission period) experience severe cuts in their forecasts, while fairly 'advanced' States like Assam, Maharashtra, Gujarat, Punjab, West Bengal etc. experience either very low or moderate cuts or even negative cuts (i.e. increases). Maharashtra is a singular example where both the Sixth and Seventh Finance Commissions have scaled the non-plan expenditures in the upward direction even though it ranks second in the literacy level in the country. In the case of West Bengal also, despite its good literacy and educational levels, the cuts are very small. Does this behaviour of cuts suggest a hypothesis that more vocal and more privileged States get a better deal from the Finance Commission than the rest of the States? It is true that in educationally better States, non-plan expenditures are likely to be higher. But the strengthening of the existing infrastructure and facilities, better maintenance of the existing schools and colleges, which are treated as non-plan activities also contribute significantly to the educational levels of the states. And with respect to these activities, which are surely the concern of the Finance Commissions, the successive commissions seem to have used their right to change the State forecasts in a more arbitrary fashion (Table on the next page).

Committed Expenditures

With respect to estimating the committed expenditures, the procedure followed by the Finance Commissions leaves much to be desired. The Seventh Finance Commission has frankly admitted that the methodology of estimating committed liabilities needs to be worked out more scientifically than what they have done. Even though committed expenditures varied between 25 to 86 per cent of the revenue plan outlay of the States, the Seventh Finance Commission has taken only 50 per cent of the revenue plan outlay for 1979-80 as the ceiling and has applied 5 per cent growth rate to this base figure for estimating the committed expenditures for each of the five years. Thus, there is arbitrariness with regard to the 50 percent ceiling and also about the rate of growth.

	Seventh Finance Commission			*Sixth Finance Commission*	
States	*Percentage variation in Reassessments*	*Literacy Levels (19.1)*	*States*	*Percentage variation in Reassessments*	*Literacy Levels (1971)*
1. Assam	– 5.8	28.7	Assam	+ 2.2	28.7
2. Bihar	– 17.0	19.9	Bihar	– 22.5	19.9
3. Gujarat	– 5.7	35.8	Gujarat	– 6.1	35.8
4. H.P.	– 1.4	32.0	H.P.	+ 3.2	32.0
5. Karnataka	– 20.7	31.5	M. P.	– 11.8	22.1
6. Kerala	– 19.3	60.4	Maharashtra	+ 4.0	39.2
7. M.P.	– 14.8	22.1	Punjab	+ 5.0	33.7
8. Maharashtra	+ 1.8	39.2	Rajasthan	+ 3.3	19.1
9. Orissa	+ 2.8	26.2	W. Bengal	– 6.6	33.2
10. Punjab	– 8 4	33.7			
11. Rajasthan	– 29.0	19.1			
12. U.P.	– 24.0	21.8			
13. W. Bengal	– 9.3	33.2			

The committed expenditures in the case of education may consist of the following :

(a) Expenditure on maintenance of educational institutions created in the previous five year plan.

(b) Expenditures on maintenance of the completed schemes.

(c) Expenditures on stipends, scholarships, fellowships etc. instituted in the previous plan.

(d) Maintenance of buildings of schools, colleges and Universities, hostels, etc. started during the previous plan.

Each of these items may be allowed a separate annual growth rate estimated on the basis of the past experience in similar cases or on the basis of anticipated growth.

As suggested by the Seventh Finance Commission, more intensive studies need to be initiated in respect of the methodology of estimating the committed liabilities and the above observations are meant to indicate only the existence of arbitrariness in the methods followed currently.

Concluding Observations

Similar arbitrariness and mistrust appear to operate in respect of the assessment of the plan needs of education of the States by the Planning Commission. On the whole, the educational finances of the State governments are a result more of a political process which most often is not based upon sound socio-economic logic and rigorous calculations. Some States legitimately complain that the agencies of the Planning Commission and Finance Commission safeguard more the interests of the Centre and a few privileged and vocal States. The Centre's forecasts and plans do not seem to be subjected to so much of a scrutiny and assessment as the forecasts and plans of States. It would be in the interest of better federal relations if the States are taken into full confidence and problems and plans of individual States are looked into individually both by the Planning Commission and Finance Commission. The aggregative approach for all States or groups of States may not satisfy the States and the objective of reduction of inter-State disparities. This observation is particularly more relevant in the case of government finances for education, for, the government has to take more initiative in providing for education, and education is one social service (and also an agent for human capital formation) which is most inequitably distributed as between States. Perpetuation of such inter-State inequities obviously would be more harmful from the point of view of economic advancement of the States and politically more explosive from the viewpoint of social stability.

CHAPTER SIX

Trends in Financing of University Education

Introduction

In the previous chapters, an attempt was made to present an analysis of the trends in educational finances according to major sources. This analysis was presented in the background of a general review of the overall trends in educational finances. Even though this analysis paid some attention to the educational finances at different levels, more pointed attention was not paid to the trends in the finances of specific levels of education. In the following chapters, we propose to examine these issues. The following major aspects have been taken up :

(i) Trends in financing of university education.
(ii) State financing of college education.
(iii) Financing primary education.

In the present chapter, an attempt is made to review the problems of financing university education in India.

Indicators of Financial Pressures

The trends in the finances of university education are closely linked with the trends in education, in general and in university education, in particular. On account of the single entry system which is generally prevalent, a tremendous expansion at the first level education and high transition probabilities particularly from the school system to higher education, the demand for university education has experienced a very large increase during the recent past. For example, the number of universities in the country which was 71 in 1966 increased to 118 in 1981-82. In the course of just five years from 1975-76 to 1981-82, student enrolment at the post-graduate and research level increased from 2.4 lakhs to 3.2 lakhs, an increase of 33 percent. While in 1975-76, 9.8 percent of the total enrolment in the entire university system was in the post-graduate and research level; in 1981, this percentage increased to 10.9. There has been a gradual decline in the 'relative' entrolment in the affiliated colleges and a gradual increase in the 'relative enrolment' in the University Departments and University Colleges. The strength of the academic staff (teachers and demonstrators) in the University Departments and University Colleges has increased by 13.3 percent in the course of these five years. This is in contrast to an increase of less than 11.6 percent in the case of affiliated colleges. These numbers show that within the higher education system, the universities *per se* have been experiencing in recent years increasing pressures from expansion.

That the governmental resources are going increasingly to higher educational expansion in recognition of the financial needs and the pressure is brought out from these facts. In fact, there are significant positive deviations in the actual expenditures on higher education by the government as compared to the budgeted expenditures on higher education indicating that the financial pressures on the government itself due to higher education could not be anticipated. For example, on the revenue account, the percentage deviations for the seventies are indicated below :

Table 6.1

Actual Expenditures

As percent of Budgeted Expenditure on University and other Higher Education

Year	*Percentage*
1972-73	119.4
1973-74	111.0
1974-75	111.0
1975-76	112.0
1976-77	105.0
1977-78	111.0

If we take this percentage deviation of the actuals from the budgeted expenditures as an index of unanticipated financial pressures, then we find that such pressures are maximum in the case of higher education as compared to other levels of education for the latest year for which data were available (see Table 6.2).

This index varies from state to state. Other things remaining the same, the size of the index should reflect the degree of financial pressures on the government due to the particular level of education in the state. For Maharashtra, for example, the index ranged between 97 percent (in 1978) to 125 percent over 1968-69 to 1977-78.

Table 6.2

Index of Unanticipated Financial Pressures on the Government in 1977-78 (Percentage)

	Revenue Account
Elementary Education	105
Secondary Education	106
Special Education	96
University & Other Higher Education	111
Technical Education	99
All Sectors of Education	104

In the background of expansion in university enrolments, if the percentage deviation of the actual expenditures from the budgeted expenditures on universities is less than 100 and if it is declining over the years, then it indicates the inadequacies of the financial resources from the government for university education. In the case of universities in Maharashtra, for example, this percentage deviation has declined from 103 in 1974-75 to 97 in 1977-78. A comparison of the Budget Estimates with the Actuals for each university shows that, by and large, universities find their resources to be inadequate to meet the budgeted needs.

Another indicator of the financial pressure on the university is the budgetary deficits. The universities in Maharashtra have been experiencing large and increasing deficits in recent years as can be seen from Table 6.3 (only few universities).

Table 6.3

University	*Year*	*Deficit* (Rs. lakhs)
Shivaji	1969-70	— 6.8
	1971-72	— 19.0
	1981-82	—113.3
S.N.D.T.	1968-69	— 2.6
	1972-74	— 9.0
	1980-81	— 44.4
Bombay	1972-73	— 11.7
	1981-82	— 72.2
Nagpur	1974-75	— 8.0
	1978-79	—123.0

Thus, in the course of less than a deade, the deficits in the universities in Maharashtra have increased 4 to 15 times. As a result of sizeable deficits and inadequate flow of funds, the internal resources of the universities have been drying up. The fluctuating closing balances of the own funds of the universities provide yet another indication of the instability of finances and severe financial strains on the university. In the case of Bombay University, for example, the closing balances declined from Rs. 52 lakhs in 1972-73 to Rs. 25 lakhs in 1981-82.

These trends in the financial position of the universities raise some questions:

(i) Why are the universities facing such a serious financial crisis?

(ii) What role can the public sector play in relieving the financial pressures?

(iii) What precautions should the government take to avoid the negative externalities of its increasing intervention in the university finances?

While examining some of these questions, an attempt is made to draw upon the experiences of universities, particularly in Maharashtra.

Stickiness of Own Sources of Income

A low degree of internal self-sufficiency is primarily responsible for the financial woes of the universities. Financial soundness of an educational institution depends not only upon the amount of available funds in a year but also upon how and when these funds are made available — the time pattern of the funds flow — and the autonomy of the institution with regard to the use of the funds. The educational institutions which are essentially the spending institutions, find that the fees and other sources which are the main own sources of funds are not as important sources in recent years as they used to be in the past.* Unlike the other prices which are generally sticky downwards, the price of education, viz. the fee rate, is sticky upwards. Fee rates fixed two to three decades ago still continue to be the current rates in most of the universities despite the fact that all the costs of running the universities have increased significantly and the enrolments are also increasing gradually. As Table 6.4 shows, the tuition fees form hardly 1 to 14 percent of the recurring receipts of the universities in Maharashtra. The fee income as a percent of total recurring income has been constant or declining over the years in three of the four universities for which data are available. Only in the case of Shivaji University there is a small rise in this percentage over the six-year period.

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* Attention is invited to the discussion of these issues in the earlier chapters.

Table 6.4

Tuition fees as a percent of University Recurring Income (General Fund)

University	*Year*	%
Shivaji	1974-75	5
	1979-80	7
Nagpur	1974-75	14
	1977-78	10
S.N.D.T.	1973-74	1
	1978-79	1
Bombay	1972-73	5
	1979-80	5
	1981-82	3

Examinations can turn out to be a major source of net income for the universities. However, in the case of universities in Maharashtra, surpluses on examination account are mostly showing a declining trend pointing to the disappointing possibility of nil surplus (see Table 6.5).

Table 6.5

Examination Surpluses in Universities in Maharashtra

University	*Year*	*Surplus Rs. lakhs*	*Surplus as percent of Total income (%)*
Shivaji	1974-75	41.76	48.80
	1979-80	10.28	6.29
Nagpur	1974-75	38.35	25.07
	1977-78	14.09	8.05
S.N.D.T.	1973-74	3.97	6.39
	1978-79	3.81	3.29
Bombay	1972-73	20.99	12.11
	1981-82	35.45	6.5

As a percent of total revenue income of the university, the examination surplus has steeply fallen in the case of all the universities in the state during a short period of four to nine years. The examination surplus in relation to total income has declined to the extent of being half to one-eighth during this period. Nagpur University and Shivaji University have experienced the steepest decline.

The main reasons for this decline are the steep rise in the material cost and travel cost in recent years. It seems that the universities have also started experiencing the diseconomies of large scale on their examination account, for all the universities in Maharashtra have been handling an increasing number of examinations, with a growing number of examinees.

Other own sources of income like the press, publications, computer, etc. have not contributed significantly to income, and they face difficulties even to break even. Though these units should function more on commercial principles and thereby make a positive contribution to the general funds of the university, the universities in India do not seem to have displayed dynamism and pragmatic outlook in exploiting these sources to their advantage.

The endowments and donations have almost dried up as a source of income for the universities. This may be due to the general inflationary trends, less significant tax advantages for the donors on account of donations and an overall change in the outlook towards charity.

The provision of affiliating colleges, which at one time could be considered as a measure of financial mobilization and regulation of standards, has now come to be a drag on the system. Experience has shown that the provision of affiliation has turned out to be costly for the university system and unduly constraining for the colleges.

Dependence on Government Assistance

Such difficulties of inelastic sources of own income have particularly led the universities to a state of unconditional dependence on the government and its agencies. This can be seen from the following position with regard to the General Fund (see Table 6.6).

Table 6.6

University	*Year*	*Grants as percent of recurring income (General Fund)*
Shivaji	1974-75	26.6
	1979-80	52.2
Nagpur	1974-75	29.6
	1977-78	56.7
S.N.D.T.	1973-74	29.9
	1978-79	8.4*
Bombay	1972-73	6.9
	1979-80	9.4
	1981-82	10.7

* Decline is mainly due to a change in the classification and grants made to separate heads.

Contributions from the government to the General Fund have been increasing both in absolute and relative terms.

Though on account of different systems of accounting followed, one gets an impression of difference in the government's role in the case of various universities in Maharashtra, the general trends clearly reflect a large degree of governmental intervention in the university finances.

On theoretical grounds, governmental intervention in university finances is not only not objectionable but is also desirable. University education is a merit good with a large amount of spill-over benefits to society. Existence of non-rivalness in consumption and non-excludability make higher education a fit candidate for public provision for the purpose of allocative efficiency. Distributional considerations also justify public intervention in higher education.

'Irritants' in Government-University Financial Relations

Even though public financing of higher education has a strong theoretical justification, it is necessary to plan public financing in such a way that the basic principles of financial soundness, viz. adequacy, built-in flexibility and financial autonomy, are kept in mind and the 'personal circumstances' of the individual institutions receive a fair consideration. There are a number of 'irritants' in the public-university financial relations as revealed by the current system of financial flows from different agents of public economy to the universities.

Firstly, there is a multiplicity of public sector agencies effecting funds flow under different systems and there seems to be less logical co-ordination among these agencies. The UGC, Departments of the Central Government, and the State Governments are the chief public sector agencies making grants to the universities. There are Plan grants and non-Plan grants made by each agency. By and large, Plan grants are made for the creation of a new facility, faculty position or unit. The non-Plan grants are generally meant for the maintenance of the facilities/ faculty positions or the units already created during the previous Plan. Sometimes, non-Plan grants have been made for the creation of new facilities. The UGC generally makes Plan grants to universities and the State Governments generally make non-Plan grants. In all the sectors of education, non-Plan expenditures are higher than Plan expenditures for obvious reasons. In this sense, the role of the Finance Commission, which considers non-Plan expenditures, is more significant in respect of educational finances than the role of the Planning Commission, which is concerned with the Plan expenditures. It is through the Planning Commission which makes Plan grants to the universities that agencies like the UGC get their funds. The State Governments which make maintenance grants to universities have a bigger say in respect of university finances. However, this strangle-hold of State Governments is mainly due to the decisions of the UGC during the previous Plan in respect of creation of new facilities. The Centre-State relations have, thus, a strong bearing on the university finances. The 'irritants' in the Centre-State financial relations, thus, become the relevant considerations in understanding the seriousness of the 'irritants' in the public sector-university financial relations as well. Universities have passed through several phases of financial stresses and strains on account of the irritants in the Centre-State financial relations.

The other irritant is due to the existence of several systems of grants in aid from the public sector agencies to the universities. There are block grants, earmarked grants, matching grants with different matching provisions, enrolment-based grants, deficit-based grants, etc. Block grants are generally more welfare-efficient than earmarked grants. Matching grants are likely to aggravate the financial stresses of the universities which generally find it difficult to mobilize the matching contributions.

In the case of universities in Maharashtra, the grant-in-aid system has been rationalized recently under which only the Establishment Expenditure of the universities of teaching and non-teaching staff are met by the Government grant. This scheme has also been termed as the system of salary payment grant. The universities are obviously highly human capital-intensive institutions. In this sense, the new scheme should be welcome. However, one has to recognize that if the human capital has to function effectively, then some amount of tangible reproducible physical and working capital is necessary. In actual practice, the universities find it extremely difficult to finance the non-salary component out of their own funds, which are less elastic, while non-salary expenditures have a tendency to increase more rapidly than the salary expenditures. (Salary hikes are the lagged responses to the rise in material costs.) Even in respect of the salary component, the actual implementation of the new system has considered certain cut-off points, the salary component of the staff appointed before this point, remaining outside the grants from the State Governments. This puts further pressure on the university finances. Some universities now find that under the new system, the grant receivable is much less than the grant receivable under the old system. Rationalization and simplification of State grants have thus led to another 'irritant' in the form of inadequate resource flow and non-recognition of individual circumstances of each university separately.

No recognition of 'personal circumstances' of the Universities?

The flow of public funds to the universities does not seem to have a specific rationale which takes into account the individual circumstances of the university, particularly, its age and enrolment. Resource requirement per student beyond a certain size and age of the university is likely to rise, indicating financial diseconomies of age and scale. This fact needs to be recognized by the public grant-in-aid system. However, the UGC grants and State grants do not appear to be consistent in this respect. This observation is based upon the following statistical exercises.

Old vs. New : Small vs. Big

The UGC grants per student and the State grants per student were regressed upon enrolment, age and expenditure per student in the previous year. This exercise was done for selected State universities, for State universities in the advanced States and less advanced States, and for the Central universities. Some of the exercises related to two points of time, one for the latest year and another for the period about a decade ago. The results are presented below :

(i) UGC grants per student = F (Enrolment in the current year, Age of the university). Data for 27 State universities around 1970's. The estimated equation is :

$$Y = 1617.6364 - 0.1424\ X_1 - 3.3576\ X_2$$
$$(t = -1.5492) \quad (t = -0.2147)$$

$R^2 = 0.1653$ $F = 2.3767$

The older and bigger universities tended to receive smaller grants per student from the UGC.

(ii) UGC grant per student = F (Enrolment in the current year, per student expenditure in the previous year). For 27 State universities around 1970.

Estimated Equation :

$$Y = -7.9312 - 0.0133\ X_1 + 0.1243\ X_2$$
$$(t = -0.2966) \quad (t_2 = 7.1695)$$

$R^2 = 0.7338$ $F = 3.0811$

Bigger universities tended to receive smaller per student UGC grants: per student expenditures of the previous year were positively associated with UGC per student grants.

(iii) UGC grant per student = F (Enrolment, Age).
Data for 21 universities in the advanced States (with SDP per-capita above GNP per capita) for 1981-82 Estimated Equation :

$$Y = 4151.8599 - 326.6400\, X_1 - 8.7943\, X_2$$
$$(t = -\ 0.8238) \quad (t = -\ 0.1771)$$
$$R^2 = 0.0524 \qquad F = 0.4979$$

The results are not statistically significant.

(iv) UGC grant per student = F (Enrolment, Age).
Data for 49 universities in the less **advanced States for 1981-82.**

Estimated Equation :

$$Y = 1972\ \ 7053 - 259.4127\, X_1 + 11.8405\, X_2$$
$$(t = -\ 3.9315) \quad (t = 1.3465)$$
$$R^2 = 0.2531 \qquad F = 7.7951$$

Older universities tended to receive larger per student grants from the UGC while bigger universities tended to receive smaller UGC grants.

From the above, it appears that UGC grants do not have a consistent pattern so far as the State universities are concerned.

A similar exercise attempted for the Central universities (pooled data for 7 Central universities for two years around 1980's) shows that the older universities are once again less favourably treated by the UGC system of assistance.

Estimated Equation :

$$Y = 33171.41 + 1.5102\, X_1 \text{ (Enrolment)}$$
$$(t = 0.4235)$$
$$-\ 903.74\, X_2 \text{ (Age)}$$
$$(t = -\ 1.0258)$$
$$R^2 = 0.2470 \qquad F = 1.8038$$

The State grants also seem to discriminate against bigger and older universities, as the following exercises attempt to show (Data for 27 State universities for the period around 1975) :

(i) State grant per student = F (Enrolment, Age)

$$Y = 6128.09 - 0.4566\ X_1 - 18.1591\ X_2$$

$$(t = -1.9297)\ (t = -0.4512)$$

$$R^2 = 0.2578 \qquad F = 4.1678$$

(ii) State grant per-capita = F (Enrolment, per student expenditure in the previous year).

$$Y = 1671.54 - 0.1406\ X_1 + 0.3366\ X_2$$

$$(t = 1.3679)\ (t = 8.4756)$$

$$R^2 = 0.8126 \qquad F = 52.0189.$$

Once again the bigger universities are not favourably treated by the State grants. The previous year's expenditure of the university seems to be positively associated with State grants.

This stance of the grant-making authorities against the older and bigger universities and universities located in advanced States, comes in the way of the progress of the well-established institutions of higher learning which have stood the test of time and hence have achieved a respectable status of academic excellence.

Central vs. State Universities

Another basis of differentiation at the hands of the grant-making authorities has been whether the university is a State university or a Central university. In the case of Central universities, both maintenance and developmental needs are met by the UGC whereas in the case of the State universities, only the developmental needs are met by the UGC. On account of this dichotomy, the per student total expenditures and developmental expenditures markedly differ when the Central universities and State universities are considered separately. Per student developmental grants and expenditures are significantly lower for the State universities. This fact was clearly brought out by the Report of the Review Committee on the UGC (Jan. 1977). In the background of the above statistical results and the findings of the UGC Review Committee, we may suggest that each State should have one Central university, the entire financial needs of which should be met by the UGC. The older universities having large enrolments (in the post-graduate and research stages) in cosmopolitan metropolitan centres of the country should be the deserving candidates for the status of being Central universities. The older universities may also satisfy the requirement of being the pace-setting institutions in respect of standards of university education. One may recall the recommendation of the Kothari Commission (1964-66) that some institutions in the country should be treated as pace-setting institutions.

In their enthusiasm to rationalise university administration in the States, some State governments have recently introduced University Acts which are made uniformly applicable to all the universities in the State.* This does not seem to be a step in the right direction as the peculiarities of each university need to be recognized clearly in any policy statement. Since the development of the university education depends very much upon some degree of academic and financial autonomy and since the need for autonomy differs from one university to another, uniform university legislation for financial and administrative control appears to be harsh for some universities.

Concluding Observations

In conclusion, we may summarise below the main points brought out in this paper:

(i) The universities in India and those in Maharashtra, in particular, are functioning under severe financial stresses in the background of large enrolment expansions.

(ii) The universities have been finding that their own sources of funds are least effective in reducing the severity of financial tensions.

(iii) Stickiness of fees in the upward direction and a general hike in the material costs have largely contributed to the declining importance of the own sources of funds like tuition and examination fees.

(iv) Universities have showed less dynamism and pragmatic approach with regard to their auxiliary enterprises so as to convert them into a source of net surplus for the university.

(v) This low degree of self-sufficiency has led the universities to the unbounded dependence on the public grant-making bodies.

(vi) The public grantor-university financial relations exhibit the existence of several 'irritants'. Multiplicity of grant-making bodies, multiplicity of the type of grants, dichotomy of university needs as Plan needs and non-Plan needs, insufficient flow of funds, non-recognition of 'individual circumstances' — peculiarities — of each university by the uniform systems of grants and university legislation, unfavourable treatment meted out to the older universities and universities with larger enrolments, etc. are the major sources of these irritants.

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* Please see an Appendix Note to this chapter for a brief examination of the Bombay University Act.

(vii) In view of a more encouraging flow of funds to the Central universities as compared to State universities, and in the background of highly disappointing financial conditions of older and bigger universities, a suggestion is made here for recognition of one—older and bigger—university in each state as a Central university, and as a pace-setting university in that state.

(viii) The financial and academic autonomy of each university needs to be safeguarded by the grant-making bodies, so that the university can perform its function of creation and dissemination of higher knowledge more effectively. The degree of financial control of the universities by the State should not be uniform but it should be university-specific.

Appendix Note

Financial Autonomy of the University Departments and the University Act : A Case Study of University Act in Maharashtra

1. What is the operational meaning of the term 'financial autonomy'?

The following are the possible definitions of the related concepts:

(a) *Basic distinction* needs to be made between autonomy in general and financial autonomy. 'Autonomy' means freedom to govern oneself. Academic freedom, whatever may be its meaning, is connoted by the term 'autonomy'. 'Financial autonomy' means freedom to mobilise, utilise and accumulate funds.

This freedom is always qualified. It is qualified by the objectives of the institution, and socio-economic conditions of society. Given these qualifications, financial freedom must be unconstrained.

(b) An educational institution is essentially a spending institution and not an earning institution like a firm.

Hence, *financial autonomy* of an educational institution primarily connotes freedom with regard to spending and the right to get adequate funds. In this sense, grants from government are not an obligation to the educational institutions but they are the rights of the latter and the primary responsibility of the former. The Upanishadic principle of (Shraddhaya Deyam) you have to make grants for education out of reverence or otherwise should be the motto. Financial autonomy should not be used as an instrument of impoverishment of educational institutions.

2. Is financial autonomy necessary? Academic freedom and autonomy without financial autonomy are meaningless. Financial autonomy is the most essential prerequisite of academic dynamism and excellence. Without elaborating, we only state below the four recent experiences which were directly the result of the lack autonomy of the Universities:

(a) Some UGC-sponsored studies could not be initiated even when funds were available, because the University being under government regulation, was not autonomous.

(b) Innovation in courses and teaching could not be introduced on account of financial constraints and State red tape.

(c) Funds could not be mobilised from new sources due to bureaucratic constraints.

(d) Excellent human capital was lost in view of financial constraints and red tape.

(a) Professor X of a University Department A was requested by the UGC to undertake two studies. The UGC also released the instalment of grants. On account of a government ban on appointments, the University's permission to execute the studies was not granted. Even after the ban was lifted for a considerable period, University permission was not received. When finally the permission was granted, suitable research assistants who were available earlier, could not be appointed. In this process, four years elapsed and the Professor got involved in other studies. The themes of the UGC-sponsored studies became outdated. The Professor and the Department lost an opportunity of undertaking two important studies.

(b) A Department B of the University wanted to initiate some innovations in the course of study and some revisions in teaching methods. This would have involved some travel and other costs. The Department could not initiate such innovations because of the constraints of finance imposed by the existing State grant system and also delays involved in getting State approval and clearance from various university bodies.

(c) A Department C of the University could have mobilised funds from donors and could have collected funds from different sources by different methods. However, in view of the restrictions imposed by the University, the funds could not be collected.

(d) A promising young man could not be appointed in a Department D as the prior clearance from the State was delayed. Finally, he left the university and turned out to be an internationally-reputed scholar.

In all the four experiences, the question of autonomy of the Department is involved. These recent experiences illustrate how the Department could not use the funds which were available, could not mobilise new funds, could not introduce dynamism in courses and lost human capital on account of these constraints.

3. Financial autonomy of the University Departments without financial autonomy of the University is not meaningful for, the former are a sub-system of the latter. Also, with the financial autonomy of the University, there should not be undue constraints on the use of finances by the Department. The principle of autonomy is worth implementing by the Universities and Departments with proven standards and excellence.

In the above background of a discussion of general principles, we may now examine the implications of the recently-introduced University Act in Maharashtra from the point of view of financial autonomy of the Universities. Since in other States also, we witness similar trends of erosion of financial autonomy of the Universities, a brief discussion of the case of Maharashtra might be helpful in understanding the nature of the underlying factors behind this trend.

4. What does the Bombay University Act say about the financial autonomy of the University and of the Departments?

(a) The Act is disappointing as it fails to recognise the role of the University as an important social institution for creation and dissemination of knowledge in the society. The Preamble to the Act does not at all mention this important aspect of the University and simply focuses attention on the governance and administration.

(b) The very fact that the code of conduct in the form of the Act for an academic institution like the University has come from the government which being non-academic cannot fuly consider all the aspects of an academic institution, is something which causes much discomfort.

(c) The long-term academic development of the Departments has not received proper attention in the Act.

(d) Since on the Senate; teachers' representation is inadequate, non-academic interests receive greater weightage in University administration.

(e) The Act has reduced the University practically to the status of one of the extended wings of the government itself.

(i) Appointment to the crucial post of finance officer, who is responsible for the management of University finances, would surely be influenced by the two persons in the Selection Committee, who are representatives of the Government. In view of the lever of grants, the Government can get its own person appointed as the finance officer. Though this may be desirable from the point of view of exercising control as per Government procedures, the provision is likely to leave very little initiative to the University.

(ii) The Finance Committee has a larger representation of the Government and non-academic members (one nominee of the Government Finance Officer, two nominees of the Senate, thus, form a majority in the quorum of five). For this Committee, the Finance Officer and not the Registrar is the *ex-officio* secretary, which further raises weightage of the Government in financial matters. Even though the Government makes substantial grants to the University, this itself does not imply that there should be Government control on the use of finances, for which the Finance Committee is responsible. By and large, all grants to educational institutions should be unconditional.

(iii) In the University Accounts Committee also, Government has a large representation and the Finance Officer and not one of the academic members is the Secretary of the Committee.

(iv) The Senate, which is, by and large, non-academic in its constitution with significant Government membership, is the final authority with respect to financial estimates and accounts. The University's own Executive Council is only secondary in this respect. The Senate can also modify without consulting the E.C., the financial estimates prepared by the latter. The Senate also can send directives to the E.C. regarding the activities to be undertaken. The supremacy of the Senate mav not be objectionable, but what is causing concern is the fact that a non-academic body gets an overriding importance in matters of university development and finances.

(v) The most objectionable element in the entire Act from the point of view of financial autonomy is contained in 77B of Ch. XII entitled 'Miscellaneous Provisions'.

The University is completely made powerless by this provision.

5. Financial Autonomy of the Departments

Reference to the Department in the Act is made in 4 or 5 places. There is also a reference to the autonomous Departments but no detailed amplification of the term is available in the Act. It is expected to be clarified by Statutes.

Since autonomy is to be finally granted by the Senate, which is a non-academic body, autonomy for the Departments does not seem to be easy in this background.

(i) All the difficulties that the University faces, as outlined above, with respect to the financial autonomy would be faced by the University Departments.

(ii) There will be additional constraints on the financial autonomy of Departments in view of the direct or indirect control by the University bodies on the functioning of the Department.

(iii) The Finance Committee and Finance Officer cannot be expected to be fully conscious of the different needs of the different departments, for these needs are also of a special nature which, by and large, the academic members can appreciate. As a result, the budget estimates for each Department would be quite different and inadequate as compared to the actual needs of the Department when they are prepared with a perspective of financial control and audit. The EC may further make deviations and submit the revised estimates to the Senate. The Senate in turn may also put its own axe on the requirements of some departments and thus the funds availability to each department would be ultimately highly inadequate.

(iv) Actual expenditure process for each department may depend upon the discretion and interpretation of the Senate decisions, etc. by some lower officials in the accounts department of the University. The Departments as a result may suffer from lack of built-in flexibility of funds. In the interest of providing initiative to the departments, the process of making financial decisions and actual expenditure should be decentralised, which is not possible under the framework of the present Act.

6. What should be done to ensure financial autonomy of the Departments?

(i) Each Department should have its own development and planning committee consisting of the academic staff, which should work out the course of development of the Department and the financial requirements for every quinquennium with the help of unit costs, both on revenue and capital accounts.

(ii) Each Department should have its own Consolidated Fund with contributions of fees, donations, grants, etc.

(iii) Developmental grants from the UGC and other receipts should be subtracted from the total quinquennial financial requirements; the residue should be fully met from State grants. There should not be any conditions attached to such grants as far as possible It should be in the spirit of Gita philosophy.
(a good gift should be unconditional). The Department should be fully responsible for the use of the funds available with it. An Inter-Departmental Evaluation Committee of Professors may be constituted to evaluate the performance of each department against the objectives.

(iv) There should not be any restrictions on the mobilisation of resources by each department by way of donations, fee hikes, consultancy services, etc. The funds from these sources should be used by each department for development and academic excellence. There should not be any compulsion of the government for investment of funds in government securities only.

(v) Each Department should conduct its own examinations and declare its own results separately. Combination of internal and external systems can be visualized in this framework of autonomous departments. Examination fees should be credited to the Consolidated Fund of the Department.

(vi) A majority of the members on the Senate of the University should be from the academic staff of the Departments.

(vii) The University bodies should be viewed largely as coordinating agencies for different activities of different departments. The University may also be responsible for concentrating fully on the graduate examinations, leaving the responsibility for post-graduate examinations to the care of the Departments.

(viii) A percentage of the Consolidated Fund of each Department should be remitted to the General Fund of the University. This is contrary to the current practice of General Fund contributing to the Department even though Departments' activities are largely responsible for the creation of and a gradual flow of funds to the General Fund. The suggested measure is in recognition of the actual fact.

(ix) The salary payment scheme of grants does not seem to be fully consistent with the principle of autonomy. It indirectly controls the human capital of the University; it does not consist of a dynamic approach as the salaries of the staff at a particular cut-off point are only paid, while library requirements and the needs of academic activities for supporting facilities and equipment are not taken into account. The scheme also lacks realism as some of the Departments are excluded from its purview under the assumption that they are self-supporting. Even though it is desirable to adopt a more commercial approach with regard to some activities like computer and press, the same strict commercial principle cannot be adopted in the case of University Hostels, Staff Quarters, etc.

Thus, the University Acts passed in different States in recent years seem to be working in the direction of abridging the academic and financial autonomy of the Universities. The use of grants and the legislation as instruments of control of the academic institutions may adversely affect their health and growth in the long run. The philosophy of paternalistic supervision and encouragement rather than control and restrictions should be the spirit of governmental intervention in higher education.

CHAPTER SEVEN

Financing of College Education: Economic and Political Dimensions

General Trends

Post-secondary education has expanded very significantly in India during the post-independence period, especially during the past decade. The number of colleges has increased from 636 in 1947 to around 5000 in the recent period. Total enrolment of the students in the affiliated colleges is practically equal to the total population of some of the States taken together. For example, in 1977-78, enrolment in affiliated colleges was equal to the total population of States like Manipur and Meghalaya taken together. More than 85 percent of enrolment in college education of the country is covered by the affiliated colleges. From this point of view, the problems of post-school-under-graduate education in the country are synonymous with the problems of affiliated colleges. The teaching staff in affiliated colleges is nearly 1.5 lakhs whereas in the university colleges, it is around 40,000. Thus, even from the point of view of teacher strength, the affiliated colleges are the employers of nearly 80 percent of the teachers. It is significant to note that during the recent period of 1974-75 to 1977-78, the number of teachers has increased less faster as compared to the number of students. The teachers' number has increased by 6 percent while the student enrolment has increased by 13 percent during the period.

Even though the exercise of rate of return calculations has revealed that investments in school-level education are much more productive than college education, the college education has expanded much faster than school education. This expansion is witnessed not only in terms of enrolments and teacher strength, but also in terms of expenditures made on college education. While direct expenditure on primary schools increased by 1126 percent and in the case of middle schools by 4328 percent and in the case of high schools, by 2041 percent during the period 1950-51 to 1975-1976, the increase in the case of general and professional colleges was of the order of 2883 percent. This magnitude of increase in the case of college education was much more than 1807 percent of increase in the case of school education, on the whole. This trend in the education expenditures in the case of schools and colleges, has not been in line with the guidelines suggested by the rate of return studies. The only explanation for this development in the Indian educational scene seems to be the very strong link between the diplomas and degrees, on the one hand, and the nature of and access to jobs, on the other. This close link between degrees and jobs is further strengthened by the process of devaluation of education, which in turn is due to educational inflation.

Since the large majority of students in the colleges come from a very high socio-economic background, the higher educated people in general can be said to belong to the upper stratum of society. The strong job-degree link can be explained in terms of the powerful vested interests constituted by this upper stratum of society. The higher education sector draws upon around 10 percent of what the entire service sector (other services) contributes to the net domestic product of the country. This shows how the elites of Indian society have been able to mobilise more resources for higher education at a greater rate and speed than for school education. This is so even though the cost of higher education is estimated to be around twenty times the cost of school education. Thus, the developments in college education and trends in college education expenditures bring out the significance of the socio-political forces which operate fairly effectively in the educational sector.

Unbalanced Growth and Finances

When we speak of expansion in college education, one should not get an impression that there is a uniform expansion in all faculties of college education during this period. Obviously, from the point of view of manpower supply for the economy, which is facing a number of structural changes over the period of time, uniform expansion in faculties of college education is not desirable either. With technological change and emphasis on the highly skilled manpower, the demand for engineering, technical and medical personnel has been increasing significantly over the period of time. In this background, the recent developments in college education do not seem to be in line with the desired priorities. For instance, during 1974 and 1979, the faculty-wise break-up of enrolment shows that maximum enrolment is in Arts and Science courses and not in the professional courses (see Table 7.1).

Table 7.1

Faculty-wise Share of Enrolment in Colleges (%)

	1974-75	*1978-79*
Arts and Science	64	61
Commerce	17	19
Engineering, Medicine, etc.	10	10
Law	6	7
Education	3	3
Total Professional	36	39

In spite of the emphasis on specialised skills to be developed through professional education, enrolment in professional education in relation to total enrolment has only marginally increased over the period 1974-1979. This trend also does not seem to be in line with the economic logics suggested by the rate of return estimates, for, the rate of return on professional education is found to be higher than that of general education.

Total direct expenditure on colleges for general education increased by nearly 87 percent during 1970-1976, whereas that for the professional education increased by 66 percent during the same period. When we consider a long period of 20 years from 1951-52, even though direct expenditures on general education registered a smaller increase as compared to direct expenditures on professional education (2602 percent as compared to 3351 percent respectively), the order of increase does not seem to be quite marked to bring out the nature of priorities conceived in the economic development of the country. This discordant

Table 7.2

Total Direction Expenditures and Average Expenditures

	Colleges for General Education		*Colleges for Professional Education*		*Colleges for Special Education*	
	Rs. Crores	*Average cost per pupil Rs.*	*Rs. Crores*	*Per Student Cost Rs.*	*Rs. Crores*	*Per Student Cost Rs.*
1950-51	7.2	231.2	4.2	779.2	0.2	301.3
1955-56	11.7	222.9	7.0	745.6	0.4	273.0
1960-61	20.9	302.0	15.8	813.0	0.9	361.0
1965-66	38.3	342.0	46.7	757.0	1.2	126.0
1970.71	4.2	421.0	90.3	1179.0	1.9	174.0
1975-76	175.6	572.0	150.8	1540.0	3.1	243.0

picture is brought out when we compare the per student expenditures also for different types of college education over the period of time (see Table 7.2).

Average expenditure per student in the case of colleges of general education more than doubled (increased 2.5 times) while that of professional college education increased by 1.97 times during 1950-76. It should, however, be pointed out that the per student expenditure for professional education is nearly three times that for general college education. During the period 1955 to 1975, the indices of per student finances in higher education are presented in Table 7.3.

Table 7.3
Indices of Per Student Finances in Higher Education
Base 1950-51 = 100

	Direct Expenditure Total	*Direct Expen. on General Education*	*Direct Expen. on Professional Education*	*Per Student Fee Income*	*Per Student Other Income*	*Per Student Government Income*
1955	96	96	106	104	89	92
1965	123	136	151	118	132	179
1970	183	169	197	124	181	230
1975	249	243	—	—	—	354

Public Financing of College Education

The sources of finance for school education and college education also bring out how the political forces have played a significant role in respect of mobilisation of finances for education. Government expenditures for school education formed about 89 percent of public education budget in 1973-74 while in 1978-79, this share declined to about 87 percent of the public education budget. Public expenditure (state) on school education increased by 93 percent during 1973-79, while that on higher education increased by 127 percent during the same period. Since public finances are in the nature of the general system of finance and also since indirect taxes which affect all the people, constitute nearly 80 percent of the total public revenue, the resources mobilised from all the people have gone significantly to finance education of the elites. In the background of low rates of fees in colleges, this trend in increasing public financing indicates an increasing subsidisation of higher education by the government. If there were a direct subsidy to the recipients of college education, it would have received an adverse reaction because this subsidy would be regressive in nature. However, subsidisation of elites through the larger and increasing flow of government funds is indirect and less open. Hence, it does not cause any public resentment. One may term this as a phenomenon of fiscal illusion in educational finances. The fiscal illusion in educational finances has a basic political dimension. This is once again another aspect of the operation of political forces in the mobilization of funds for education.

The colleges are generally started by private philanthropists through initial donations for the land, building and equipments. However, after this initial enterprise, the private managements invariably seek regular assistance from the Government towards the recurring expenditures. Thus, the private entrepreneurs in education, who normally are from higher income groups, would get the recurring finances from governmental sources once the initial contributions are made available by them. Most often these private ventures in education are not motivated only by the educational considerations. As stated in an earlier chapter on private contributions to education, the donors are guided by both educational considerations and considerations of self-interest. To the extent self-interest plays a significant role, government assistance to the private colleges can be considered to be financing the pursuit of self-interest. Even though one may not object to private enterprise in education, the pursuit of financial and other personal interests on the part of private managements and the continued assistance to such a pursuit through Government grants seems to be highly objectionable.

The colleges receive public assistance from both the State Governments and the Central Government. The State Government assistance is invariably more than the Central Government assistance. Central assistance comes through the UGC for the purpose of development of certain faculties or certain programmes. The UGC assistance is for developmental purposes and normally, forms a part of Plan assistance. On the other hand, asistance from State Governments is for the continuation of the programmes and facilities which might have been created out of Plan assistance. In this sense, the non-Plan assistance for the colleges is invariably from State Governments. Both UGC assistance and State Government assistance are governed by certain rules which are termed as grant-in-aid codes. A detailed discussion of the grants-in-aid codes of different State Governments in respect of college education is presented in the next chapter. In what follows, some of the salient features of college finances are briefly examained.

Budgetary Trends of Colleges

In spite of governmental assistance, some of the affiliated colleges find it extremely difficult to make both ends meet. Quite a large number of affiliated colleges are deficit colleges, a fact which is revealed from their budgets. It is true that the budgets of colleges run by some private managements are deliberately shown to be deficit so as to enable them to receive deficit-based grants from the State governments. It must be noted, however, that the affiliated colleges do experience severe financing strains. Table 7.4 presents the budgetary trends of the affiliated colleges of the Bombay University.

As can be seen, the number of deficit colleges forms a significantly large proportion in respect of both the Arts and Science colleges and professional colleges. It is interesting that this proportion is larger (44 percent) in the case of professional colleges, whereas it was hardly 10 percent in the case of Arts and Science colleges in the year 1978. The number of deficit professional colleges more than doubled during the period 1965-1978 whereas the number of deficit Arts and Science colleges significantly declined during the same period. It is also revealing that, on the whole, Arts and Science colleges had a combined surplus of around Rs. 40 lakhs in 1978 as compared to Rs. 18 lakhs in 1965. In contrast to this, the professional colleges had a combined deficit of Rs. 53 lakhs in 1978. The combined deficit in their case had increased more than ten times in the course of this 14-year period. The number of balanced budget colleges was larger in respect of Arts and Science college education as compared to professional college education. From all these points of view, it appears that the intended priority for professional education in the country does not seem to have been reflected in the budgetary trends of professional college education.

All professional colleges are not under equal financial pressures. Engineering colleges affiliated to the Bombay University improved their combined budgetary position during the period 1965-66 to 1978-79, because a deficit in these colleges in 1965-66 was converted into a surplus in the year 1978-79. Similarly, Commerce colleges affiliated to the Bombay University (which are also treated under the term 'professional education') had increasing surpluses over the period of time. As against this, Medical Colleges, Pharmacy Colleges, Dentistry, Veterinary and Nursing Colleges had a very significantly large combined budgetary deficit, which increased from Rs. 6 lakhs to Rs. 61 lakhs during the period 1965-66 to 1978-79. Such micro-trends in the budgetary positions of affiliated colleges indicate that the financial pressures are experienced differently by different faculties of college education (see Appendix Tables).

Table 7.4

Budgetary Trends of Colleges affiliated to Bombay University.

	Number of Colleges								*Budgetary Position*					
	Total No.		*Deficit Colleges*		*Surplus Colleges*		*B.B. Colleges*		*Income (Rs. lakh)*		*Expenditure (Rs. lakh)*		*Total Surplus or or Deficit (Rs. lakh)*	
	1965	*1978*	*1965*	*1978*	*1965*	*1978*	*1965*	*1978*	*1965*	*1978*	*1965*	*1978*	*1965*	*1978*
(i) Arts & Science Colleges	29	42	13	4	10	31	6	7	202.5	569.9	184.6	529.9	+ 17.9	+ 40.0
(ii) Professional Colleges (Commerce, Medical, Pharmacy, Dentistry, Veterinary, Nursing)	20	27	5	12	10	13	5	2	133.0	344.0	138.0	397.0	—5.0	— 53.0

Non-Viable Colleges

The financial woes of affiliated colleges seem to be the result of multiple factors like the faculty (Arts, Science, Commerce, etc.), student strength, location and age of the college. By and large, colleges located in less advanced States seem to be having financial problems on account of their nonviable size, whereas colleges in advanced states and centres suffer from financial difficulties on account of their large size. Thus, diseconomies of small scale and large scale operate quite significantly in respect of college finances as can be seen from Table 7.5 A.

Table 7.5 A

State-wise number of Viable and Non-viable Colleges: 1973-74 and 1978-79 (Arts, Science & Commerce Colleges only)

States having Three-Year Degree Courses in Arts, Science & Commerce.

Note: A viable college is a college having an enrolment of 400 or more after excluding PUC/Inter/PP.

		1973-74			*1978-79*		
Sr. No.	*State*	*Viable colleges*	*Non-viable colleges*	*Total*	*Viable colleges*	*Non-viable colleges*	*Total*
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*
1.	Andhra Pradesh	101	69	170	96	129	225
		(59.4)	(40.6)	(100.0)	(42.7)	(47.3)	(100.0)
2.	Assam	30	88	118	Shown in Table (B)		
		(25.4)	(74.6)	(100.0)			
3.	Bihar	Shown in Table (B)					
4.	Gujarat	84	86	170	130	57	187
		(49.4)	(50.6)	(100.0)	(69.5)	(30.5)	(100.0)
5.	Haryana	37	41	78	37	58	95
		(47.4)	(52.6)	(100.0)	(38.9)	(61.1)	(100.0)
6.	Himachal Pradesh	9	12	21	7	16	23
		(42.9)	(57.1)	(100.0)	(30.4)	(69.6)	(100.0)
7.	Jammu & Kashmir	11	6	17	10	13	23
		(64.7)	(35.3)	(100.0)	(43.5)	(56.5)	(100.0)
8.	Karnataka	80	111	191	126	121	247
		(41.9)	(58.1)	(100.0)	(51.0)	(49.0)	(100.0)
9.	Kerala	66	23	89	79	39	118
		(74.2)	(25.8)	(100.0)	(66.9)	(33.1)	(100.0)
10.	Madhya Pradesh	89	130	219	120	117	237
		(40.6)	(59.4)	(100.0)	(50.6)	(49.4)	(100.0)
11.	Manipur	5	12	17	Shown in Table (B)		
		(29.4)	(70.6)	(100.0)			

Table 7.5 A (contd.)

1	2	3	4	5	6	7	8
12.	Maharashtra	148* (44.3)	186* (55.7)	334* (100.0)	188 (45.4)	226 (54.6)	414 (100.0)
13.	Meghalaya	3 (18.8)	13 (81.2)	16 (100.0)	Shown in Table (B)		
14.	Nagaland	— (0.0)	4 (100.0)	4 (100.0)	Shown in Table (B)		
15.	Orissa	16 (20.5)	62 (79.5)	78 (100.0)	Shown in Table (B)		
16.	Punjab	62 (42.2)	85 (57.8)	147 (100.0)	71 (42.5)	96 (57.5)	167 (100.0)
17.	Rajasthan	52 (49.1)	54 (50.9)	106 (100.0)	67 (62.0)	41 (38.0)	108 (100.0)
18.	Sikkim	Did not exist		—	—	1 (100.0)	1 (100.0)
19.	Tamil Nadu	101 (60.5)	66 (39.5)	167 (100.0)	119 (61.7)	74 (38.3)	193 (100.0)
20.	Tripura	6 (100.0)	— (0.0)	6 (100.0)	4 (66.7)	2 (33.3)	6 (100.0)
21.	Uttar Pradesh **	2 (50.0)	2 (50.0)	4 (100.0)	2 (40.0)	3 (60.0)	5 (100.0)
22.	West Bengal	138 (69.0)	62 (31.0)	200 (100.0)	147 (61.0)	94 (39.0)	241 (100.0)
23.	Delhi (Union Territory	40 (93.0)	3 (7.0)	43 (100.0)	50 (96.2)	2 (3.8)	52 (100.0)

* Relates to all Universities except Bombay.

** Relates to only Banaras Hindu University.

Source : UGC Annual Report for the year 1978-79.

There were nearly 33 percent (Uttar Pradesh) to 70 percent (Himachal Pradesh) of the colleges in 1978-79 where enrolment was less than 400 (which is taken to be the basis for the defining a college to be non-viable).

The percentage of non-viable colleges has increased in a large number of States during 1973-74 to 1978-79. As the table (7.5B) indicates, in as many as eight States, the non-viable colleges have relatively increased in their number. This trend obviously is not a good sign so far as the finances of college education in the country are concerned.

Table 7.5 B

State-wise Number of Viable & Non-viable Colleges 1973-74 & 1978-79. States having Two-year Degree Courses in Arts, Science & Commerce

Note: A viable college is a college having an entrolment of 270 or more after excluding PUC/Inter/PP.

Sr. No.	State	1973-74			1978-79		
		Viable colleges	*Non-viable colleges*	*Total*	*Viable colleges*	*Non-viable colleges*	*Total*
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*
1.	Assam	Shown in Table (A)			42 (33.9)	82 (66.1)	124 (100.0)
2.	Bihar	49 (25.0)	147 (75.0)	196 (100.0)	100 (41.3)	142 (58.7)	242 (100.0)
3.	Maharashtra *	42 (80.8)	10 (19.2)	32 (100.0)	Shown in Table (A)		
4.	Manipur	Shown in Table (A)			8 (47.1)	9 (52.9)	17 (100.0)
5.	Meghalaya	Shown in Table (A)			8 (47.1)	9 (52.9)	17 (100.0)
6.	Nagaland	Shown in Table (A)			1 (14.3)	6 (85.7)	7 (100.0)
7.	Orissa	Shown in Table (A)			41 (45.6)	49 (54.4)	90 (100.0)
8.	Uttar Pradesh **	196 (61.2)	124 (38.8)	320 (100.0)	243 (70.8)	100 (29.2)	343 (100.0)
Total (B)		287 (50.5)	281 (49.5)	568 (100.0)	443 (52.7)	397 (47.3)	840 (100.0)
Total (A)		1,080 (49.2)	1,115 (50.8)	2,195 (100.0)	1,253 (53.5)	1,089 (46.5)	2,342 (100.0)
Grand Total (A & B)		1,367 (49.5)	1,396 (50.5)	2,763 (100.0)	1,696 (53.3)	1,486 (46.7)	3,182 (100.0)

* Relates to only Bombay University.

** Relates to all Universities except Banaras Hindu University.

Note: (a) Figures in parentheses indicate percentage of viable and non-viable colleges to total.

(b) The above analysis is confined to colleges for which enrolment data for relevant years was available.

(c) The colleges of Union Territories other than Delhi have been included in the respective states.

(d) Colleges which had only PUC/Inter or equivalent courses have been excluded from the above analysis.

(e) The above analysis covers also university colleges which were not functioning as Departments.

Source : UGC Annual Report for the year 1978-79.

Inadequate Own Sources

The primary factor for the financial woes of colleges seems to be their low capacity to mobilise their own funds. For instance, in the latest year for which the data are available, colleges could mobilise around 23 percent to 40 percent of their total direct expenditure needs from fees and other sources, which may legitimately be considered as non-governmental own sources of college finance. It is interesting that even in respect of non-governmental sources of mobilisation, colleges for general education have fared much better than the colleges for professional education. This is surprising in so far as students of professional education at the collegiate level, by and large, come from a more advanced socio-economic background as compared to those in colleges for general education. The fees as a source of educational finance should have a predominant role in the case of colleges for professional edcuation. However, colleges for professional education could mobilise only around 13 percent of their total direct expenditure needs from the fees in 1970, whereas colleges for general education could mobilise nearly 39 percent of their total direct expenditure needs. Also the rate of decline in the share of fees has been steeper in the case of colleges for professional education than in the case of colleges for general education over the period of time. Larger subsidisation of professional education at the collegiate level may be justified on grounds that the professional education would have a larger social benefit component as compared to colleges for general education. However, if one looks to the equity aspects of college education, then the smaller proportion of fees in the finances of professional college education does not seem to carry large justification. As observed in the previous chapter, benefits from professional college education accrue to society through the channel of the employer, who exploits the benefit initially. From this point of view, the cost of professional college education needs to be borne largely also by the agencies employing professional graduates. At present, this education-employment link in respect of educational finances is conspicuous by its absence. We have already considered the various aspects of education-employer link in the previous chapter.

Concluding Observations

From the above discussion, the following observations may be made :

(i) The past trends in college finances indicate that the colleges have been experiencing serious financial strains.

(ii) The priorities in respect of educational policy of the country do not seem to have been reflected in the trends of educational finances, because professional college education seems to be under greater stress as compared to general college education.

(iii) One of the major factors responsible for the financial strains of college education seems to be the existence of a large number of non-viable colleges, measured in terms of student strength.

(iv) There are diseconomies of both small scale and large scale operating in respect of college educational finances.

(v) Another major factor responsible for the financial difficulties of college education seems to be less satisfactory growth in respect of own sources of finance, particularly, fees and endowments.

(vi) Fees and endowments have been surprisingly more unsatisfactory sources of finance for professional education than general education at the collegiate level.

(vii) On account of the unsatisfactory growth of own sources of finance, the colleges are relying more and more on governmental sources of finance.

(viii) As the detailed study of grants-in-aid code of different States shows, governmental assistance to colleges is sometimes used as an instrument of control, which does not seem to be a healthy trend.

Appendix Tables

Budgetary Trends of Colleges affiliated to Bombay University

Table A

Arts & Science Colleges

	1965-66	*1972-73*	*1978-79*
(i) Total Number of colleges	29	32	42
(ii) Number of deficit colleges	13	14	4
(iii) Number of surplus colleges	10	8	31
(iv) Number of balanced budget colleges	6	10	7
(v) Total surplus (+) or deficit (—) Rs. lakhs	+ 17.90 lakh	—9.10 lakh	+40.00 lakh
Total Income	Rs. 202.5 lakh	Rs. 396.9 lakh	Rs. 269.9 lakh
Total Expenditure	Rs. 184.6 lakh	Rs. 406.0 lakh	Rs. 529.0 lakh

Table B

Engineering Colleges

		1965-66	*1978-99*
(i)	Number of colleges	2	1
(ii)	Number of deficit colleges	1	1
(iii)	Number of surplus colleges	—	1
(iv)	Number of balanced budget colleges	1	—
(v)	Total surplus (+) or deficit (—)	— 2.05 lakhs	+ 4.29 lakhs
(vi)	Total Income	Rs. 26.32 lakhs	Rs. 81.63 lakhs
	Total Expenditure	Rs. 28.37 lakhs	Rs. 77.34 lakhs

Table C

Medical, Pharmacy, Dentistry, Veterinary, Nursing Colleges

		1955-66	*1978-79*
(i)	Number of colleges	10	11
(ii)	Number of deficit colleges	2	5
(iii)	Number of surplus colleges	5	6
(iv)	Number of balanced budget colleges	3	—
(v)	Total surplus (+) or deficit (—)	— 5.84 lakhs	— 61.41 lakhs
(vi)	Total Income	Rs. 83.19 lakhs	Rs. 126.48 lakhs
	Total Expenditure	Rs. 89.03 lakhs	Rs. 187.89 lakhs

Table D

Commerce Colleges

		1965-66	*1978-79*
(i)	Number of colleges	8	14
(ii)	Number of deficit colleges	2	6
(iii)	Number of surplus colleges	5	6
(iv)	Number of balanced budget colleges	1	2
(v)	Total Surplus (+) or deficit (—)	+ 2.80 lakhs	+ 3.85 lakhs
(vi)	Total Income	Rs. 23.48 lakhs	Rs. 135.56 lakhs
	Total Expenditure	Rs. 20.68 lakhs	Rs. 131.71 lakhs

Maintenance Grants to Colleges*

Sr.	*State*	*Extracts in brief from 'grant-in-aid code' for the release of maintenance grant to colleges.*
1.	**Andhra Pradesh**	*Teaching Grants on behalf of aided Colleges, for General, Education and for Teachers Training* No college shall be eligible for grant unless the prior approval of the Government is obtained for its establishment. In cases of new courses or groups to be opened in the existing colleges, the prior permission of the Director shall be obtained. To ensure compact and effective governing bodies for aided colleges, the managements shall reconstitute them with a small number, including the representatives of the Education Department and the University. Teaching grants to aided colleges shall be paid adopting the following formula : "Hundred percent of expenditure on salaries of teaching and non-teaching staff minus fees at standard rates to be limited to actual deficit, subject to the condition that the existing rates of fees (1963-64) must not be reduced." Any balance in actual fees collected shall be utilised by the management towards other recurring expenses like contingencies etc.

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* Information used in this table was supplied by the University Grants Commission. The UGC's help is gratefully acknowledged.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for the release of maintenance grant to colleges*
1.	**Andhra Pradesh** *(Contd.)*	All items of expenditure permitted in the case of Government Colleges will be permitted in the case of aided Colleges according to the ceilings prescribed by the department. *Notes: (1)* Expenditure on salaries of staff will be assessed on the basis of University Grants Commission scales of pay. (2) Strength of teaching staff will be determined according to the rules prescribed by the universities concerned. (3) Strength of non-teaching staff will be determined according to the rules framed by the Department. (4) Expenditure on salaries of non-teaching staff will be allowed according to scales prescribed · by the Department. (5) There must be a minimum of 10 in Arts group and 15 in Science Group for each class (subject to certain relaxations in respect of specified subjects/and in women's colleges). Following grants are also admissible : (a) Half the expenditure incurred by the managements on scholarships and fee remissions, if any, sanctioned by them upto a limit of 10% of the fee income reckoned at standard rates. (b) Loss in fee income on account of the award of all the fee concessions granted under the provision of the Andhra Education Rules. (c) The College shall submit by a prescribed date each year its financial statement.
2.	**Assam**	See 'Meghalaya'
3.	**Bihar**	

The State Government has not formulated grant-in-aid rules. It does give, however, maintenance grant for the payment of salaries to teachers of affiliated colleges.

As per agreement dated 15-12-1972 between the State Government of Bihar and the University Teachers Association, it was decided that the deficit of the salaries of the teachers of the affiliated colleges would be paid by the State Government under 'grant-in-aid' (effective from 1975-76). The mode of calculation of deficit would be as follows :

(a) Based on student enrolment in the college, 50% of the income from enrolment fee, tuition fee and fines is to be reserved for payment of salaries, D.A., G.P. Fund, etc. to the teachers appointed against regular approved posts.

(b) The remaining 50% of the income will be utilized for the payment of salaries, allowances, G.P. Fund etc. of administrative staff and office expenditure, Library, Workshop and other miscellaneous expenditure.

(c) Only those teachers will be entitled to get the deficit for the revised pay scales who have been appointed against regular posts as on 7-5-1974 with the permission of their related universities and the posts created after 7-5-1974, with the permission of the University Service Commission and the State Government.

(d) Recruitments made to the posts of teachers without the prior permission of the University Service Commission are valid only for a period of six months and not beyond. Government grants for such posts will be available for six months only on the condition that appointments are made on the basis of advertisement and interview.

(e) Teachers appointed against permanent posts, who are already in service in the affiliated colleges, against temporary posts accepted by the University Service Commission, will be entitled to draw the salary from the date of issue of the appointment letter and after one year will be entitled for increment.

(f) Grants are paid to colleges through universities to meet the salaries of teachers.

(g) In view of certain complaints received regarding non-payment of salaries to teachers by Governing bodies of certain colleges, it has been decided that salaries to teachers from grants paid by the State Government may be made through crossed cheques with effect from 1-4-1979.

S. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
4.	**Gujarat**	*Pattern of grant-in-aid to non-Government Arts/Science/Commerce and Education Colleges.* **(1) Maintenance Grant** (i) *Pay Packet Grant :* Grant-in-aid on pay packet should be equal to the difference between the total pay packet of staff in the approved pay scales of teaching and non-teaching and the amount of tuition fee deemed to be collected. The total pay packet of teaching and non-teaching staff should include pay, DA and HRA as admissible to Government employees, compensatory local allowance, contribution of the institution towards PF & such other allowances as are prescribed by the universities. **Workload of teaching & non-teaching Staff** *Teaching staff :* For the purpose of calculation of strength of teaching staff, workload of lecturers/tutors (for 1977-78/1978-79) will be calculated at the rate of 16 periods/week and for Demonstrators, 20 practical periods/per week. In Colleges of Education, pupil-teacher ratio of 12:1 should be adopted. *Non-teaching staff :* The existing norms may continue for the purpose of calculating the strength. *Notes :* (a) The expenditure on pay packet of a teacher should be considered admissible for payment of grant only if — (i) the post exists. (ii) teacher concerned has been appointed in accordance with the prescribed qualifications and procedures. (iii) the teacher is below 60 years. (b) The pay packet of a teacher in any subject for which there are no students should not be taken into consideration for purpose of grant-in-aid. (c) Scheme of giving benefit of free education to the children of employees of a college, wherever in existence, should be

S. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
4.	**Gujarat** *(Contd.)*	discontinued forthwith and the expenditure on such benefit should not be held eligible for the purpose of payment of grant. (d) Colleges should publish every year their respective income and expenditure account as also the balance shown in the college magazine. (2) **Laboratory Grant** A Science College or Science Section of a composite college should be paid laboratory grant equal to 50% of the expenditure in excess if any of the income/deemed income through prescribed laboratory fee, subject to the ceiling that may be prescribed by Government. The remaining 50% of the excess in expenditure should be borne by the college. *Notes :* (i) W.e.f. June 1977, a uniform tuition fee of Rs. 200 student/term should be charged in all Arts, Science and Commerce colleges in undergraduate classes, including PUC classes and of Rs. 250 student/term should be charged in Education Colleges. The increase in tuition fee w.e.f. 1977-78 in colleges charging less than Rs. 200 term should not, however, exceed Rs. 40 student/term, subject to a ceiling in fee of Rs. 200 or Rs. 250 as the case may be and each college should be eligible to receive from Government an additional grant equal to the difference between the deemed free income and actual fee income of the colleges, subject to the pay packet deficit. (ii) W.e.f. from 1977, a uniform laboratory fee of Rs. 50/-/student term should be charged in every year of the I degree course, including PUC classes in the Science Faculty. (iii) When a college is levying tuition fee at a rate lower than the one prescribed above, income from the fee (tuition) shall be calculated as if the prescribed tuition fee has been charged from students. (3) **Library Grant** W.e.f. June 1977, a minimum of fee of Rs. 5 student/term should be charged towards

S. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
4.	**Gujarat** *(Contd.)*	expenditure on Library by colleges of Arts, Science, Commerce and Education and the amount realised through fees should be spent fully during the year for the purpose. Expenditure on maintenance of Book Banks should be included under Libraries after taking into consideration the grants from the University Grants Commission/State Government. A grant equal to 75% of the excess expenditure, subject to a ceiling of an expenditure of Rs. 25 student/year, would be given by Government, provided the college management undertakes to meet the remaining 25% of additional expenditure. (4) **Maintenance of Buildings & Playgrounds** Grant equal to the actual expenditure on maintenance of college buildings and its playgrounds, subject to the limit prescribed by Government for Government buildings from time to time, should be paid to a college. If more than one institution are housed in the same building and if any grant is received by the other institutions toward rent or maintenance, grant under these orders should be paid after deducting the due amount from the grant payable. Apart from maintenance grant, there is provision for development grant and special grants to affiliated colleges and grants for expenditure on miscellaneous items.
5.	**Haryana**	In Haryana State, maintenance grant to affiliated Non-Government Colleges in the State is paid on the deficit of the last year which is worked by deducting income from expenditure. The expenditure takes cognizance of salaries paid to teaching as well as non-teaching staff, including class IV, and contribution from college for approved provident fund etc. The income consists of fees, late fees, fines plus interest on endowment funds and Government grant paid

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
5.	**Haryana** *(Contd.)*	against salaries to the staff during the previous year. From the year 1978-79, the rate of grant has been raised from 45% to 75%. **Special Maintenance Grant** This grant is payable at the rate of Rs. 3,000/- to each Women's College situated in rural areas in Haryana State. **Other Conditions to be fulfilled** (i) Teachers are given scales of pay admissible to their counterparts in Government Colleges (i.e., U.G.C. scale of pay). (ii) Increments to the staff are paid regularly. (iii) Provident fund is paid at the rate of 10%. (iv) DA is paid as per Government rates. (v) Fees levied and concessions allowed are in accordance with rates prescribed by Kurukshetra/Rohtak University. (vi) College maintains a proper standard of discipline.
6.	**Himachal Pradesh**	No grant-in-aid rules have been framed so far, but as far as possible, maintenance grant to the affiliated colleges is given to the extent of 95% of the total approved expenditure.
7.	**Jammu & Kashmir**	No grant-in-aid rules in respect of maintenance grant to colleges affiliated to the universities have been formulated in the State. However, rules for payment of grant-in-aid to private institutions exist. In Jammu & Kashmir, Private Educational Institutions Grant-in-aid Rules, 1974, will come into force w.e.f. 1-4-1975. The Managing Committee of a college shall comprise nine to thirteen members. The head of the college and one elected representative of the teaching staff working in the institution shall function as a member of the Managing Committee.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
7.	**Jammu & Kashmir** *(Contd.)*	The head of the institution will be responsible for the day-to-day management of the institution in all matters of administration. All records of the College are open for inspection and audit. **Further Conditions for Payment of Grant-in-aid :** No institution or employee of any such institution shall indulge in or associate itself/himself with any activity harmful to communal harmony. Institution shall strictly follow the syllabus prescribed and ensure proper standards of education, i.e. in quality of teaching, percentage of results, etc. All institutions are open to inspection by the inspecting authorities. An aided institution shall be inspected by the inspecting authority at least twice a year without any prior notice. The Head of Department of College Education shall make a sample inspection to the extent of 20% of all aided colleges once in a year. All institutions shall maintain complete and detailed accounts of their income and expenditure in all respects. All incomes from fees, tuition, games etc., funds, donations, subscriptions, grants, deposits etc. raised from the students and their parents will constitute the 'Receipts' of the college and shall be recorded in the college 'accounts books'. No payment from the funds of the institution shall be made so long as it has not been authorised by the Managing Committee or its representative to whom such powers stand delegated by the Committee.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
7.	**Jammu & Kashmir** *(Contd.)*	**Mode of Assessment of Grant** The entire income of the institution which it receives by way of tuition fee, donation, fund, subscription, fines charged from the students as also endowments and donations received from public or the Managing Committee or any other source shall be taken as income of the institution. The sanctioning authority shall take for granted the minimum income of an institution from its fee and funds raised from students at the following rates : T.D.C. Pt. I Rs. 15 from each per month T.D.C. Pt. Final Rs. 20 from each per month Oriental Classes Rs. 15 from each per month The following will be taken as approved items of *expenditure* for assessment of grant-in-aid payable to an institution : (a) Payment and allowance of teaching/non-teaching staff and G.P.F. contributions. (b) Contingent expenditure of day-to-day nature. (c) Rent of buildings, if any. (d) Expenditure on laboratories/libraries to the extent of actual expenditure incurred during the year at 2% of the total expenditure of the year, whichever is less. The staff-student ratio should conform to the norm prescribed for the purpose. **Amount of Grant Payable** Total expenditure on approved items minus the minimum income at the rates provided. Every institution shall have a 'reserve fund' and no withdrawal from the fund shall be made or any loan taken without the specific order of the Administrative Department. Every institution getting Government grants shall maintain a full and complete record and accounts of

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
7.	**Jammu & Kashmir** *(Contd.)*	all its activities and shall, among other registers, maintain — (1) A copy of grant-in-aid rules and bye-laws of the Managing Committee. (2) Staff attendance register. (3) Register of admissions and withdrawals. (4) Acquittance role of staff, servants, etc. (5) Register of property. (6) Register of library books. (7) Receipt and Expenditure register. (8) Service conditions of staff.
8.	**Karnataka**	Direct payment of salaries in Private-Aided Colleges, Junior Colleges and Teachers' Colleges. Subject to the fulfilment of certain duties and responsibilities both by the managements and employees of these institutions, the Government have decided that salaries be paid directly to the employees of these institutions, starting from 1-10-1977. **Conditions :** (1) For maintaining order and discipline, the management shall obtain from each employee an agreement duly signed by him as prescribed by Government. (2) The management and the Government agree to certain terms and conditions with reference to : (i) Payment of salaries to employees of the institution. (ii) Collection and use of fees from students. (iii) Recruitment of employees and admission of students. (3) Qualifications for teachers and minimum hours of work to be prescribed for teachers shall be laid down by Government.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
8.	**Karnataka** *(Contd.)*	(4) The Director shall open a 'Joint Account' in the bank in the names of the Director and the principal duly authorised by the Management. The principal shall cause every employee to open an individual account in the same bank. (5) No salary grant shall be paid in respect of any new institution or any new course of study in an institution during the first three academic years after the commencement of the institution or the course of study. (6) The Management shall collect tuition and laboratory fees from the students at rates not exceeding twice the standard rates prescribed by the Government. (7) The Management may collect specific fees for library, examinations, medical examinations, magazine, sports, reading room etc., the rates being adequate for meeting expenditure for such purposes. (8) Annual financial statement to be submitted every year by the College shall exhibit all fees, receipts and other incomes and all expenditure. (9) The Management shall be responsible and liable for the due and prompt observance and compliance with all terms and conditions of this agreement. **Code of Conduct for Employees of Education Institution :** Every employee shall at all times maintain absolute integrity. Maintain devotion to duty. Shall not indulge in violence or any conduct which involves moral turpitude. Shall not be a member of any political party. Shall not engage directly or indirectly in any trade or business without previous sanction.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
9.	**Kerala**	**Direct Payment System**

Payment of grant under contingencies and maintenance to Private Arts & Science Colleges :

A scheme of direct payment of salaries to the teaching and non-teaching staff of Private Arts & Science Colleges has been introduced from 1-6-1972 subject to certain conditions.

For contingencies, a per capita figure with a ceiling for each college (or group of colleges) will be worked out for each category of students for each course;

Similarly, for maintenance and repairs.

(1) **Contigencies Grant**

Following items will be eligible for grant under the contingencies :

- (i) Stationery for office use.
- (ii) Printing of Office Registers etc.
- (iii) Postage and Telegrams.
- (iv) Telephone charges.
- (v) Water and Electricity.
- (vi) First Aid charges.
- (vii) TA to members of teaching and non-teaching staff on official work.

Rates for calculation of grants are :

			Ceiling
Pre-Degree	Arts	Rs. 7.00 - student	7,500
	Science	Rs. 8.00 - student	7,500
Degree	Arts	Rs. 9.00 - student	15,000
	Science	Rs. 10.00 - student	15,000
Post-Graduate	Arts	Rs. 12.00 - student	20,000
	Science	Rs. 15.00 - student	20,000

For maintenance and repairs of building/petty constructions :

<table>
<tr><th>Sr. No.</th><th>State</th><th>Extracts in brief from 'grant-in-aid code for release of maintenance grant to colleges</th></tr>
<tr><td>9.</td><td>Kerala
(Contd.)</td><td>
<table>
<tr><td>Pre-Degree</td><td>Arts</td><td>Rs. 4.50</td><td>student</td><td>6,000</td></tr>
<tr><td></td><td>Science</td><td>Rs. 5.50</td><td>student</td><td>6,000</td></tr>
<tr><td>Degree</td><td>Arts</td><td>Rs. 5.00</td><td>student</td><td>10,500</td></tr>
<tr><td></td><td>Science</td><td>Rs. 6.00</td><td>student</td><td>10,500</td></tr>
<tr><td>Post-Graduate</td><td>Arts</td><td>Rs. 8.00</td><td>student</td><td>12,000</td></tr>
<tr><td></td><td>Science</td><td>Rs. 10.00</td><td></td><td>12,000</td></tr>
</table>
<p>Rates fixed for 'contingencies' and 'maintenance' will be reviewed once in five years.</p>
<p>(2) Library Grant :</p>
<table>
<tr><td>Pre-Degree</td><td>—</td><td>Rs. 2.00 - student(Rs. 3.00 student in the case of Junior Colleges)</td></tr>
<tr><td>Degree</td><td>—</td><td>Rs. 4.00 - student</td></tr>
<tr><td>Post-Graduate.</td><td>—</td><td>Rs. 8.00 - student</td></tr>
</table>
<p>(3) Laboratory Grant :</p>
<table>
<tr><td>Pre-Degree</td><td>Rs. 7.50 for pre-degree Science</td></tr>
<tr><td>Degree</td><td>Rs. 20.00 - student (for degree Science)</td></tr>
<tr><td>Post-Graduate</td><td>Rs. 50.00 - student (Post-Graduate Science)</td></tr>
</table>
<p>The grants will be calculated on the basis of the actual strength of students as on 1st November every academic year.</p>
</td></tr>
<tr><td>10.</td><td>Madhya Pradesh</td><td><p>Grant-in-aid Rules for Non-Government Education Institutions in Madhya Pradesh:</p>
<p>Grants under these rules will be given to non-Government institutions, which impart sound and secular instructions. Such grants will be subject to conditions specified as well as 'to be specified', from time to time, by the State Government.</p></td></tr>
</table>

Sr. No.	*State*	*Extracts in brief from 'Grant-in-aid code' for release of maintenance grant to colleges*
10.	**Madhya Pradesh** *(Contd.)*	**Conditions :** (1) The institution should have been in existence continuously for a period of at least one year prior to the date of application. (2) It has to be duly affiliated to a university & (3) Should have recognition/permission from the Madhya Pradesh Uchcha Shiksha Anudan Ayog. Grants shall be of three kinds : (i) Maintenance grant. (ii) Building grant. (iii) Equipment grant. Every Government-aided institution shall be liable to be inspected by the Inspectorial staff of the Education Department and/or the Ayog at least once in each financial year for grant-in-aid purposes and for verifying as to whether previous grants, if any, have been properly utilized. No Government grant will be sanctioned to any educational institution the income of which from all sources is sufficient in the opinion of the Department to maintain it in efficiency without any Government grant. Teachers and other staff of the aided institutions shall be obliged to bear a good character and conduct. The management of every aided institution shall make it one of the terms of service of its employees (including teachers) that they shall neither be members of or be otherwise associated with any political party or any organization which takes part in politics/any political movement or activity. Management of all aided institutions shall reserve 15% and 18% of the total posts of class I & II to be filled by candidates belonging to Scheduled Castes and Scheduled Tribes respectively; 16% and 20% of the total posts of class III & IV to be filled by

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
10.	**Madhya Pradesh** (Contd.)	candidates belonging to Scheduled Castes and Scheduled Tribes respectively. **Maintenance Grant :** Maintenance grant is a recurring grant sanctioned for running and maintaining all educational institutions. It will be sanctioned on any yearly basis. Maintenance grant will be assessed in the following manner : The deficit between the admissible expenditure and income of the institutions for the financial year immediately preceding as revealed by the financial statements relating to that year. The quantum of annual maintenance grant will be 75% of the gross admissible expenditure or full net deficit whichever is less. Appointments,qualifications of teachers and other employees, payment of salaries and conditions and service shall be governed by the M.P. Ashasakiya Shikshan Sanstha Adhiniyam, 1978. For purposes of assessment of grant, the following will be treated as income : (1) Tuition fee at standard rates as prescribed by the State Government. (2) Fees charged for subjects like Science and Commerce. (3) Interest on deposits. (4) Grant from Government of India for recurring expenditure. (5) Grant from local bodies for recurring expenditure. (6) Grant from UGC for recurring expenditure. (7) Donation for recurring expenditure. Admissible Expenditure : Pay allowances & P.F. contribution at approved rates for their teachers and employees.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
11.	**Maharashtra**	*Formula for assessement of maintenance grant to Non-Government Arts, Science, Commerce and Education Colleges :* Subject to availability of funds, maintenance grant due to college in a year should be equal to (A) minus (B) where (A) and (B) are defined as under : A. (i) Entire Admissible Establishment expenditure of the college during the year for which the grant is paid *Plus* (ii) Notional expenditure on normal maintenance and current repairs of the college building. *Plus* Entire actual expenditure of the college of the preceding year on admissible items* other than (i) and (ii) above subject to a ceiling as follows : (a) 18% of the admissible establishment expenditure of the college of the preceding year, if the college has only Science Faculty. (b) 15% of the admissible establishment expenditure of the college of the preceding year, if the college is a multi-faculty college, with Science Faculty as one of the faculties. (c) 12% of the admissible establishment expenditure of the college of the preceding year, if the college is a college of education or college of Arts only or purely Commerce college or Commerce and Arts College. B. (i) Tuition fees at approved rates recoverable by the college during the preceding year from students liable to pay their own fees (excluding fee-concession holder students of all approved categories). (ii) Surplus if any of the preceding year relating to the junior college classes attached to the college.

(*see Appendix A)

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
11.	**Maharashtra** *(Contd.)*	**Conditions to be Fulfilled :**

(1) A new college started in a particular year will not be paid any maintenance grant during the first year of its establishment.

(2) W.e.f. 1982-83, certain minimum enrolment conditions as specified below will have to be satisfied :

	Minimum Enrol. in single faculty colleges	*Minimum Enrol. in double faculty colleges*	*Minimum Enrol. in triple faculty colleges*
(1) Colleges situated in Municipal Corporation cities and at non-agri. university Headquarters town	300	500	700
(2) Colleges situated in towns with a population of 1 lakh and above but excluding those covered under category 1	200	350	500
(3) Colleges in towns with a population of less than 1 lakh	100	175	250

(Norms above not applicable to colleges of education)

APPENDIX A

Admissible items of 'Establishment Expenditure'

(1) Actual expenditure on pay to teaching and non-teaching staff (Approved Scales of Pay).

(2) Actual expenditure on D.A., H.R.A., C.A. & other concession allowed as per prescribed rates.

Sr. *No.*	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
		(3) Expenditure on Management's contribution to C.P.F. of eligible members of approved teaching and non-teaching staff. (4) Expenditure on Management's contribution towards Gratuity Fund constituted with prior approval of State Government as well as University. (5) Expenditure on normal maintenance and current repair of buildings used for the college. (6) Expenditure on other essential items of contingencies. *Note:* It will be incumbent on the colleges to credit the entire amount of tuition fee recovered from fee.
11.	**Maharashtra** *(Contd.)*	paying students (excluding fee concession holder students of all approved categories) into the college salary payment account opened in the Bank as per the salary payment scheme. Maintenance grant to be released to the colleges will be divided into two categories, viz. salary grant and non-salary grant.
12.	**Manipur**	*Grant-in-aid to aided colleges in the Manipur State :* Only such private colleges as are affiliated to the University of Gauhati and also considered 'well-managed' by the Government of Manipur will be eligible for grant-in-aid under these rules. The Government of Manipur, however, reserves to itself the right to determine the number of colleges in an area which may receive grant-in-aid. No grant-in-aid shall be made to any college unless its managing committee gives an undertaking in writing that it shall comply with all the conditions laid down by the Director from time to time. **Conditions :** (1) The college shall be registered as a society under the Societies Registration Act 1860 or a public trust under any law in force.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
12.	**Manipur** (Contd.)	(2) The Governing Body of the Society shall include (a) Principal of the college. (b) Three members to be nominated by the Director. (c) 1 representative of the teaching staff. (d) 1 representative of parents/guardians of students studying in the College. (e) 1 nominee of donors of Rs. 50,000 and above. (3) Any change in the constitution of the Governing Body shall be intimated to the Director promptly. (4) The college shall have adequate permanent income from endowments and other sources (excluding fees) which when supplemented by grant-in-aid shall be adequate to carry on its work efficiently and to pay salaries of staff regularly. (5) Adequate reserve fund as prescribed by the University shall also be available with the college and this shall be deposited in an approved scheduled bank or post office in the joint names of Director and Secretary of the Governing Body of the College. (6) All money realized as fees from students, donations, sums as earmarked for buildings, interest on reserve fund, all grants-in-aid etc. shall constitute the 'College Fund' which shall be placed in a Post Office saving bank account or scheduled bank; for maintenance or improvement of the college, withdrawals from this fund are permissible by a person duly authorised by the Governing Body. (7) College Registers, Accounts etc. should be available for inspection at any time by the Department.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
12.	**Manipur** *(Contd.)*	(8) Adequate minimum facilities shall be provided by the college regarding sanitary facilities, accommodation in class rooms, Laboratory and Library, Water and Electricity, Play-grounds. (9) Service conditions of the entire staff shall be as governed by the rules made for the purpose by Government. (10) Fees levied and concessions allowed shall be as per norms followed by Government Colleges. (11) No donation shall be charged by the college on a compulsory basis from the students or their parents. (12) Grants are liable to be withdrawn if — (a) In a college the percentage of pass in the university examination falls below the university average for three consecutive years. (b) For violation of any of the conditions of grant. (c) Discipline is not properly maintained in the college. In calculating grant-in-aid for introduction of pay scale, deficit system shall be followed, viz. grant-in-aid shall be calculated on the basis of difference between approved income and approved expenditure. Approved income will be determined by — (a) Multiplying the number of students by the rates of fees and then (b) Deducting 40% of the total fee income. Approved expenditure will include salaries to teachers, clerks, librarian and Government's share of of provident fund contributions. (Estimate of approved income will be based on actual enrolment).

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
12.	**Manipur** *(Contd.)*	Also note: for calculating the initial pay of teachers for purposes of calculating grant-in-aid on the deficit system, the principles laid down by Government or for Government servants should be followed, subject to the provision that the service rendered in the college from 1-7-57 alone will be counted for calculating the length of service and completed years of service. 40% of the monthly fee income shall be set apart for remissions, building repairs, furniture, libraries, equipments, contingencies, etc. Degree colleges should have a minimum enrolment of 300 in Arts, 120 in Science.
13.	**Meghalaya**	The grant-in-aid rules currently being followed by the Meghalaya Government are those framed by Government of Assam; these are under revision by the Government of Meghalaya. **Grant-in-aid Rules** In calculation of grant-in-aid for introduction of pay scales, deficit system should be followed, that is to say, the grant-in-aid will be calculated on the basis of difference between approved income and approved expenditure. A. Approved income will be determined by : (a) Multiplying the number of students by the rate of fees and then (b) deducting 25% of the total income. B. Approved expenditure will include salaries to teachers, clerks, librarian and Government share of Provident Fund contribution. The Director of Public Instruction, Assam will fix the number of persons of the above category for calculation of approved expenditure. In calculating the initial pay of teachers for the purpose of calculating grant-in-aid on the deficit system, the principles laid down by Government for Government

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
13.	**Meghalaya** *(Contd.)*	servants should be followed subject to the provision that the service rendered in the college in which the employee served on 1-10-1956 will alone be counted for calculating the length of service and completed years of service. **Conditions of Grant-in-aid** (1) The college should be affiliated to the university and should be already in receipt of annual recurring grant. (2) 25% of the monthly fee income will have to be set apart for fee remissions, building repairs, furniture, library, equipment, contingencies, etc. At least 5 free studentships shall be granted on merit on the result of periodical examinations. (3) Minimum enrolment for degree colleges : Arts — 300 Science — 120 This can be relaxed if considered necessary in the case of Women's Colleges. (4) There shall be at least one whole-time Professor/Lecturer in every department of an aided college. (5) No teacher of aided college shall take more than one Private Tuition for which prior approval of D.P.I. is required. (6) No staff member shall engage in activities detrimental to the educational interest of the institution. (7) Minimum rates of tuition fee in all aided colleges will be the same as that in Government colleges. The Governing Body may increase the rate upto a limit of 50% over the prescribed rate with prior approval of the D.P.I.; such additional income shall be utilised in giving special allowance or personal pay to teachers and for purchasing teaching aids and books for college library.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
13.	**Meghalaya** *(Contd.)*	Grants are liable to be withdrawn if — (i) Discipline is not properly maintained in the colleges. (ii) The college's pass percentage in university exams. falls below the university average for three consecutive years. (iii) Any of the conditions of grant are violated. The Governing Body of every college shall be constituted as per the statutes for the purpose under the Gauhati University Act. The Governing Body of every aided college shall frame a set of rules to regulate the conditions of appointment of members of staff and of their absence from duty of leave. All receipts and disbursements must be entered in the Accounts Book of the college. All Rules laid down for Government Colleges in matters related to scholarships, management of hostels, discipline, holidays etc. shall be applicable to aided colleges. No staff appointment in aided colleges is to be confirmed without the D.P.I.'s approval.
14.	**Nagaland**	State Government is yet to frame specific grant-in-aid rules for grant of financial assistance to colleges affiliated to universities. Meanwhile, the State Education Committee decides the grant of financial assistance, grant-in-aid to colleges basing on the requirement of the college concerned.
15.	**Orissa**	There is no specific grant-in-aid rules formulated by the State Government so far in respect of maintenance grant for non-Governmentl colleges affiliated to the universities of the State but the grants are being regulated under the provisions of Articles 144

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
15.	**Orissa** *(Contd.)*	and 146 of the Orissa Education Code, extracts of which are reproduced below : *Article 144.* Grants may be made for furniture, apparatus, chemicals, maps, diagrams and models or for books for college libraries. Grants may not be given to meet the cost of seats or desks of a pattern which has not been approved by the Director. *Article 146. Proportion of the Government Grant:* Save with the special sanction of Government, the grant may not exceed one half of the total cost. Besides the above codal provisions, there is a condition fixed by the Government that the non-Government affiliated colleges are eligible to receive Government grant towards full establishment costs only after the expiry of five years counted from the year of affiliation. In the case of job-oriented colleges, however, the non-grant period is reduced to 3 years.
16.	**Punjab**	The Punjab Government has recently decided to meet 95% of deficit of the affiliated colleges in the state in respect of certain items of expenditure and income. (1) The grant shall be available only to a college which was in existence on 1-9-78 within the area of the Punjab State and which was affiliated to the Punjab University on or before that date. The grants shall be (for Punjabi or Gurmukhi) available to such a college in respect of posts in existence in the college on 1-3-77 on the condition that these posts have been created in accordance with the norms prescribed by the university or the Government and incumbents are not being paid salaries out of students' fund.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
16.	**Punjab** *(Contd.)*	(2) The College must not allow its income from the approved resources to fall below the level of such income during the financial year 1977-78. Income of the College shall include admission fee, tuition fee, late admission fee, late payment fine, grant-in-aid received by the college under the UGC salary scale scheme. (3) Approved items of expenditure shall comprise of :— (a) Pay & Allowance of teaching and non-teaching staff. (b) Contribution towards Provident Fund of eligible employees. (4) Lecturers in colleges who were in position as on 20.6.75 and who did not possess at the time of their initial recruitment minimum qualifications as prescribed by the university shall be required to attain these qualifications;. otherwise annual increment shall not be allowed w.e.f. 1.3.82. Those recruited after 20.6.75 shall also fulfil these conditions within a period of five years. Constitution of the Selection Committees for posts of lecturers, principals shall be as prescribed in the grant-in-aid code. (5) All accounts books, other documents like service books, confidential reports shall be maintained as a permanent record. (6) College shall ensure that members of the teaching staff put in the minimum prescribed work load, i.e. 40 hours a week by every lecturer. (7) Grant shall be utilised only for the period to which it pertains and shall not in any case be utilized to clear earlier claims or arrears. (8) The entire staff of the college shall be liable to be put on exam. duty, including invigilation, setting papers, evaluation of answer books, etc.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
16.	**Punjab** *(Contd.)*	(9) Failure to comply with any of the terms and conditions may entail termination of the grant wholly or partially.
17.	**Rajasthan**	*Rules for payment of Grant-in-aid to non-Government Educational, Cultural and Physical Educational Institutions in Rajasthan.* No grant shall be made to an institution unless it agrees to comply with the conditions hereinafter laid down which are over and above the conditions laid down by the University/State Dept. of Education: (1) The institution shall neither prepare nor send up candidates unless permitted by Director of Education for an examination held in another State when an examination of the same nature is held in Rajasthan by the Education Department. (2) Records and accounts of the institution shall be open to inspection. (3) Admissions and all facilities, including studentship, half-free studentship provided by the institution shall be available to every section of people without any distinction of caste or creed. (4) The institution shall satisfy the requirements laid down under Appendix I regarding the constitution of the management or governing body. (5) The institution shall supply to the Education Department a list of all its assets, the income from which is utilized for its expenditure. (6) In the event of the Government being satisfied that the working of the Managing Committee/Governing Body of an institute is not satisfactory, hampering the smooth running of the institution, the Government after issuing a show cause notice, can appoint an administrator to exercise control over the assets and run the institute till a new Government Body is formed.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
17.	**Rajasthan** *(Contd.)*	(7) The institute shall not be closed down or downgraded without at least one full academic year's notice being given to the Department. (8) The institution shall invest its endowment in trust, stock or place them in deposit in the State Bank of India or any scheduled bank. All money realised as fees from students, contributions, endowment and donations received for the institution, its reserved funds earmarked for building constitute the 'Institutional Fund'. Withdrawals from this fund will be made only by a person duly authorised by the Governing Body/Managing Committee. (9) Number of pupils in different classes and average attendance in each class shall conform to the norms prescribed for the purpose. (10) All instructions issued by the Department shall be complied with promptly. (11) Scales of tuition and other fees charges from the students shall not be lower than the scales laid down by the Government in this connection. (12) No grant shall be admissible for starting a new course/class, section or subject unless previous permission of the Department has been obtained. (13) Service conditions of staff should conform to Appendix III. (14) Scales of pay and allowances of staff shall be at least those prescribed by the Government for staff of similar category in Government institutions. (15) No person in the staff of the institution shall be admitted or removed or reverted in rank until he has been given a reasonable opportunity of showing cause against the action proposed to be taken.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
17.	**Rajasthan** *(Contd.)*	**Assessment of Annual Recurring Grant :** Annual Recurring Grant will be given on the basis of approved recurring expenditure of the previous year and allowing for annual increment of teaching, ministerial and class IV staff. Approved expenditure shall be arrived at according to rules and such other instructions that may hereafter be issued from time to time by the Director of Education. Institutions shall be categorised under advice of the Grant-in-aid Committee and shall receive grant-in-aid as follows : Category A 80% B 70% C 60% D 50% of the approved expenditure of the previous year plus likely annual increments of staff. The total recurring grant-in-aid from the Government of Rajasthan in any year shall not exceed the difference between the approved expenditure taken into account and the income from fees and other remaining sources during the same year, including grants from other States and Central Government, Sabhas, societies and local bodies. For categorisation of institutions, the following criteria will be kept in view : (a) Results of the last three years. (b) Correction work. (c) Individual attention. (d) Teaching efficiency. (e) Discipline and tone of institution. (f) Extra-curricular activities. (g) Number of faculties/subjects provided.

Note: Approved expenditure referred to earlier shall relate only to :

(i) Actual salary and Provident Fund contribution of teaching/non-teaching staff.

(ii) Stationery and Printing charges.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
17.	**Rajasthan** *(Contd.)*	(iii) D.A. not exceeding Government rates in force. (iv) Water and light charges. (v) Registration, Audit fee, affiliation fees. (vi) Recurring expenditure on equipments and Apparatus. (vii) Ordinary repairs to buildings. (viii) Building rent (in case of rental building). (ix) Recurring expenditure on books, library, reading room. (x) Recurring expenditure on games/physical education.
18.	**Sikkim**	State has not formulated any rules for grant-in-aid regarding maintenance grant to colleges, as there are no private colleges.
19.	**Tamil Nadu**	*Colleges — Aided colleges — Payment of teaching Grant :* A single grant will be given on the basis of 80% of the annual deficit of each aided college. Government have reviewed certain items of expenditure incurred by the management of aided colleges which are admitted for purposes of assessment of grant and decided as under : (1) Maintenance grant for upkeep of buildings and furniture : PUC Colleges and Degree Colleges with a strength below 500 — Rs. 3,000/- Degree & PG Colleges with a strength of 500 1000 — Rs. 6,000/- Degree and PG Colleges with a strength of 1000 - 1500 — Rs. 8,000/- Degree and PG Colleges with a strength of above 1500 — Rs. 10,000/- Maintenance grant will not be allowed for hostel buildings. *Staff* : Strength of staff prescribed by the University concerned will be the criterion for purposes of grant-in-aid in the respective university areas.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
19.	**Tamil Nadu** *(Contd.)*	Qualifications for staff should conform to the criteria stipulated by the Universities concerned. *Special fees :* 20% of the special fees collected by the College from the students under each item of special fee may be carried over to the next year's account under the same head. Colleges may spend up to Rs. 5,000/- per year as honoraria to students to man libraries and to tend gardens and this may be included in the annual statement of expenditure. In respect of expenditure on salaries of approved staff in aided colleges, Government will meet 100% of the net deficit. The net deficit will be the difference between the salary expenditure on approved staff, on the one hand, and the following items of income, on the other, i.e. (1) Tuition fees collected by the college. (2) PUC fee compensation grant. (3) Tamil Nadu Education Rules fee concession/ compensation grant. To ensure full and prompt payment of salaries from 1.7.77 on the basis of the liberalised grant-in-aid as noted above, the management of every aided college in the State shall open in a scheduled bank, as may be convenient to them, an account entitled "Approved Staff Salary Account". Into this account, the following money shall be remitted in full : (1) Tuition fees collected from students. (2) PUC fee compensation grant. (3) Tamil Nadu Education Rules fee concession/ compensation grant. Re : Non-salary items of expenditure, 80% of the expenditure on approved items will be covered by grant-in-aid.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
19.	**Tamil Nadu** *(Contd.)*	A separate bank account designated as 'Non-Salary Account' shall be opened by every management into which the management might remit the endowment income and incomes other than those remitted into the 'Approved Staff Salary Account'.
20.	**Tripura**	*Grant-in-Aid Rules for aided colleges in Tripura :* The following rules shall govern the payment of grant-in-aid to privately-managed colleges for general education in Tripura. Only such private colleges as are affiliated to the University of Calcutta and are also considered well-managed by the Tripura Administration will be eligible for grant-in-aid under these rules. The Tripura Administration, however, reserves to itself the right to determine the number of colleges in an area which may receive grant-in-aid. No grant-in-aid shall be made to any college unless its Managing Committee gives an undertaking in writing that it shall comply with the conditions laid down/prescribed by the Director of Education from time to time. Breach of any or all of the prescribed conditions shall render the college liable to be removed from the grant-in-aid list. (i) The college should maintain satisfactory discipline and acceptable standards of academic efficiency. (ii) Facilities in the college shall be made available to all sections of pupils without any distinction of religion caste, creed. (iii) A college applying for grant-in-aid must be registered as a Society under the Societies Registration Act 1860 or Public Trust under any law in force. (iv) The Governing Body of the College shall include (not exceeding 11 members):

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
20.	**Tripura** *(Contd.)*	(a) Principal of the college. (b) 5 Members nominated by the Director. (c) A representative of the teaching staff. (d) A representative of Parents/Guardians of students studying in the college. (v) Any change in the constitution of the Governing Body shall be reported promptly to the Director. (vi) The Governing Body shall meet at regular intervals, as prescribed. (vii) A college shall have adequate permanent income from endowments and other sources (excluding fees) which when supplemented by grant-in-aid shall be adequate to enable it to carry on its work efficiently and to pay salaries to staff regularly. (viii) A college shall have adequate reserved fund deposited in a scheduled bank or post office in the joint name of Director of Education and the Manager/Secretary of the College. (ix) All money realised as fees from students, contributions and donations received from the public, its reserve fund, sums earmarked and building or other capital purposes and all grant-in-aid shall constitute the college fund which shall be placed in the Post Office Savings Bank account or Scheduled Bank; withdrawals from this fund can be made only by an authorised person of the Governing Body for incurring an approved expenditure for maintenance and improvement of the College. (x) College shall provide adequate class rooms, library/laboratory facilities and proper sanitary conditions, as well as adequate facilities for games/physical education etc. (xi) Fees levied shall be as those prescribed by the Administration.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
20.	**Tripura** *(Contd.)*	**Maintenance Grant** *Salaries of Staff and Provident Fund* Grants for the salaries of staff and Employees' Contributory Provident Fund shall be assessed at the rate of 90% of the difference between the approved expenditure on the salaries of the staff and employers' contribution towards C.P.F. of the employees and the income from fees, fines and such other items as may be specified by the Administration. There is provision for contingent grant, equipment grant, building grant, etc. Contingent grant is admissible on the expenditure incurred by a college on items approved by the Administration to the extent of 90% of the actual expenditure incurred during the previous 12 months.
21.	**Uttar Pradesh**	*Amendment of the Uttar Pradesh State University Act 1973 as amended and re-enacted by the U.P. Universities Act 1974.* **Payment of Salary to Teachers and other Employees of Degree Colleges.** The salary of a teacher or other employee of any college in respect of any period after the 31st March, 1975, shall be paid to him before the expirty of the 20th day or such earlier day as the State Government may, by general or special order in that behalf, appoint or the month next following the month in respect of which or any part of which it is payable. The salary shall be paid without deductions of any kind except those authorised by this Act or the statutes or the ordinance or by any other law for the time being in force. The Deputy Director may at any time inspect or cause to be inspected any college or call for such information and records from its management with reference to the payment of salaries to its teachers or

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
21.	**Uttar Pradesh** *(Contd.)*	employees or give to its management any direction for compliance/observance. The management of every college shall for the purpose of disbursement of salaries to its teachers and employees open in a scheduled bank or a cooperative bank or post office a separate account called 'Salary Payment Account' to be operated jointly by a representative of the management and by the Deputy Director or such other officer as may be authorized by the Deputy Director. The State Government may, from time to time, require by general or special order that the Management of a college shall deposit in the Salary Payment Account such portion of the amount received from students as fees and also such portion, if any, of the income received from any property movable or immovable, wholly or partly for the benefit of the College, and by such date and the Management shall be bound to comply with such directions.
22.	**West Bengal**	There are two types of non-govt. colleges — sponsored and non-sponsored. The sponsored colleges receive maintenance grant from Government for meeting their entire deficit on approved items of expenditure according to a prescribed schedule. The non-sponsored colleges now receive grants from Government for payment of salaries to their staff (teaching and non-teaching) in accordance with the provisions of the West Bengal College (Payment of Salaries) Act 1978; these non-sponsored colleges are required to credit to the State Government accounts 75% of their income, the balance 25% of their income being retained by them for meeting other recurring expenditure as non-salary items according to a prescribed schedule.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
22.	**West Bengal** *(Contd.)*	*Payment of Salaries Act 1978 to non-colleges :* With effect from the commencement of this Act, the State Government shall assume the charge of full payment of salary to the employees, teaching/non-teaching staff of colleges governed by this Act. The State Government shall make periodic advance to college authorities for payment of salary regularly to the employees of such colleges. *Note:* Salary of teaching and non-teaching employees of a college shall be paid as per approved State Government scales of pay. **Restrictions on Colleges** (1) No college shall incur any expenditure on capital account or transfer any movable or immovable property without the previous approval of the State Government. (2) The extent to which free studentships are allowed shall be in accordance with State Government Rules issued from time to time. (3) Rates of tuition fee and other charges shall not be revised without State Government's concurrence. (4) It shall be the duty of the college authority to collect tuition fees, fines and other charges from each and every student on the roll (except from freeship students) and pay the State Government 75% of the 'assumed income' of the college. *Note:* 'Assumed Income' means the income realisable from the students of a college by way of tuition fees, fines and other charges and includes the amounts received as grants excluding amounts received towards capital expenditure from the UGC and other agencies and amounts received from endowment for specific purposes and contribution for Students' Aid Fund. caution money deposit and other refundable fee, and other statutory charges like Provident Fund, etc.

Sr. No.	*State*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
22.	**West Bengal** *(Contd.)*	(5) A college authority shall, within fifteen days of the expiry of a month, deposit with the State Government under appropriate number of account as may be specified by the State Government 75% of the actual (i.e. income actually realised) income of that month and may retain the balance for being spent on non-salary items of a recurring nature according to the schedule of expenditure approved by State Government. (6) 'Actual income' means income actually realised by a college by tuition fees, fines, grants, etc. as detailed already under the definition for 'Assumed Income'. Notwithstanding anything contained in the preceding section, a college authority shall, at the end of each quarter, submit an account of the assumed and actual incomes during the preceding quarter and deposit with the State Government under the head of account prescribed such amount by which the actual amount deposited by the college authority falls short of the 75% of the assumed income during the quarter within the following quarter. Every college shall submit to the Director of Public Instruction, West Bengal, budget estimates for a year in advance by such date as may be specified by him. Failure to comply with condition No. 6 means State Government can supersede the college authority for a period not exceeding one year at a time and appoint an administrator to discharge the functions of the college authority.

Union Territories

Sr. No.	*Union Territory*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
1.	**Andaman & Nicobar Admn.**	No grant-in-aid rules to private colleges exist there being only one Government College in this territory affiliated to the Punjab University.
2.	**Arunachal Pradesh**	No grant-in-aid rules are framed for this Union Territory as there is only one Government Degree College at Pasighat in the territory of Arunachal Pradesh which is fully financed by the Government.
3.	**Chandigarh**	Punjab State rules are being followed for payment of maintenance and special maintenance grant to the privately-managed affiliated colleges in the Union Territory of Chandigarh. All affiliated colleges shall be eligible for maintenance grant to be awarded on the basis of deficit on expenditure on staff and contingencies and income from fee during the previous year (April/March). Government reserves to itself the right to determine the number of colleges which shall receive grant-in-aid. No capital expenditure shall be considered in the calculation of grant and expenditure on Arts/Science. Education facilities only will be considered for purposes of disbursement of the grant. No grant shall be made to a college the income of which from fees is sufficient to meet the expenditure and has no deficit. All colleges shall be treated on the same level and no special treatment shall be shown to anyone except that Women's Colleges situated in rural areas may be considered for a special grant not exceeding Rs. 3,000/- each to be sanctioned by Government each year, with the specific concurrence of the Finance Department.

Sr. No.	*Union Territory*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
3.	**Chandigarh** *(Contd.)*	**Other Conditions to be fulfilled :** (1) Inspection of college at any reasonable time, without notice; such records as are to be maintained must be shown when required. (2) Grant-in-aid shall not be paid to those institutions where there is indiscipline. (3) Staff is of good character. (4) Fees levied and concessions allowed are in accordance with the scale prescribed for Government Colleges. (5) The whole or part of the maintenance of grant may be withheld by Government for breach of any of the rules contained in this circular. (6) College teaching staff is paid according to the revised UGC scales of pay. (7) Increments are paid to the establishment regularly. Utilisation certificates as required shall be furnished to the Director of Public Instruction, Punjab, within two months of grant-in-aid verified by the chartered accountants. Separate accounts shall be maintained by the College in respect of different categories of grants sanctioned by Government from time to time.
4.	**Dadra & Nagar Haveli**	No grant-in-aid rules are framed for this Union Territory as there is no private college in this Union Territory.
5.	**Delhi**	There are no grant-in-aid rules framed by the Delhi Administration in respect of maintenance grant to the colleges sponsored by the Delhi Administration. Delhi Administration is, however, providing grants to sponsored colleges for various schemes like construction of college building projects, purchase of

Sr. No.	*Union Territory*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
		equipments, purchase of library books, appointment of lecturers, faculty improvement programmes etc. on the basis of approved pattern of assistance scheme approved by the University Grants Commission. Normally, the grant for construction of college building (non-recurring) on a 50:50 basis and maintenance (recurring) grant on the basis of 95:5 basis of the approved deficit, i.e. approved expenditure minus approved income, is made to these colleges.
6.	**Goa, Daman & Diu**	**Grant-in-aid Code to Colleges** *Arts, Science, Commerce and Secondary Training Colleges.* Colleges affiliated to a statutory university and situated in the Union Territories of Goa, Daman and Diu will be held eligible for annual grants subject to funds at the disposal of Government in accordance with the following rules : **Maintenance Grant** Maintenance grant will be paid at 33.3% of the approved expenditure during the preceding year. (No separate DA grants will be payable). If DA is paid at Government rates, expenditure on payment of DA will be held admissible for the purpose of maintenance grant. The maintenance grant according to the above percentage will be subject to a ceiling of (i) Deficit plus 10% for colleges with more than 1000 students and (ii) deficit plus 20% for colleges with 1000 or less than 1000 students. **In the case of Colleges having more than 1000 Students** No maintenance grant shall be paid if their savings exceed 10% of their approved expenditure. If their savings do not exceed 10% of their approved expenditure, the maintenance grant will be limited to

Sr. No.	*Union Territory*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
6.	**Goa, Daman and Diu** *(Contd.)*	the difference between 10% of approved expenditure and the net savings. In the case of colleges with deficits, the maintenance grant will be subject to a ceiling of the net deficit plus 10% of approved expenditure. **In the case of Colleges having 1000 or less than 1000 Students :** No maintenance grant will be paid if their savings exceed 20% of their approved expenditure. If their savings do not exceed 20% of their approved expenditure, the maintenance grant will be limited to the difference between 20% of approved expenditure and the net savings. In the case of colleges with deficits, the maintenance grant will be subject to a ceiling of the net deficit plus 20% of approved expenditure. No grant of any kind will be paid to an Arts, Science, Commerce or Secretarial Training College with a surplus or balance on hand of Rs. 1 lakh and over. **Admissible items of Expenditure for Purposes of Grant :** (1) Actual salary of the teaching, clerical and inferior staff, including dearness allowance. (2) Premium on life policies upto a value of Rs. 5000/-. (3) Contribution to Provident Fund/Gratuity as per rules approved by Government. (4) Contribution to the Pension Fund in lieu of Provident Fund. (5) HRA, Conveyance Allowance, expenditure on study leave. (6) Building rent (in the case of rented premises). (7) In the case of own building, maintenance and repairs, subject to a ceiling of 1% of the actual cost of construction of the building.

Sr. No.	*Union Territory*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
7.	**Lakshaddweep**	No rules are framed as there is no private college.
8.	**Mizoram**	**Grant-in-aid rules in respect of maintenance grant to educational institutions in Mizoram** Institutions shall conform to the following conditions before considered eligible for any kind of recurring grant-in-aid for general maintenance: (1) It shall have a Managing Committee/Governing Body duly constituted and approved by Government. (2) The Managing Committee/Governing Body of the institution shall get itself registered under the Societies Registration Act 1860 or a public trust constituted under any law, in force. (3) The institution shall serve the real need of the locality/area where it is situated, and follow courses, curricula, syllabi and text books for the various stages of education as prescribed by the competent authority. (4) No discrimination is made while admitting on grounds of religion, caste or creed. (5) It shall be open to inspection by any Officer authorised to do so by the Department. (6) It shall maintain full accounts of all its income and expenditure, the latter being supported by duly maintained acquittance rolls/vouchers. (7) It shall have a minimum enrolment of 150 (in colleges teaching upto degree level). Qualifications of staff shall conform to those prescribed by the Department. (8) Tuition and other fees levied from students shall not normally be higher than those charged by their counterparts in a Government institution at an equivalent level. A separate account shall be maintained for such collections and no amount from such collections shall be spent for repairs/

Sr. No.	*Union Territory*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to college*
8.	**Mizoram** *(Contd.)*	construction/reconstruction of the institution building without prior approval of the Director. (9) It shall have a duly constituted Managing Committee as per norms prescribed and this shall meet at regular intervals. **Categories of Recurring Grant-in-aid General Maintenance :** There will be two broad categories normally : (a) Deficit grant-in-aid for general maintenance. (b) *Ad hoc* grant-in-aid for general maintenance. In calculating the quantum of deficit grant, the difference between approved income and approved expenditure shall be taken into account. **Approved Income :** Multiply the number of bonafide students of the various sections/classes of the institution by the approved tuition fee rates for the various classes and deducting 40% of the total so arrived at for contingencies, petty repairs of buildings and furniture, Management's share of provident Fund, etc. and for any specified student amenities. *Approved Expenditure* shall include — (i) Pay and allowances of all approved staff actually in employment in the institution within the limits authorised by the Government at rates admissible to the corresponding staff under the Government. (ii) Government's share of Provident Fund Contribution. (iii) Expenditure on account of any special allowance, special pay allowance to a member of the teaching staff. **Ad hoc grant :** Besides, the institutions receiving deficit grants, other recognised institutions in Mizoram may be considered for *ad hoc* grants, provided they satisfy the

Sr. No.	*Union Territory*	*Extracts in brief from 'grant-in-aid code' for release of maintenance grant to colleges*
8.	**Mizoram** *(Contd.)*	conditions of eligibility and such other conditions as may be insisted upon. The quantum of *ad hoc* grant to an institution shall not normally exceed an amount needed to cover the deficit to meet the regular basic pay of the approved teaching staff at rates admissible to their counterparts in Government institutions, subject to the condition that such staff are actually in employment therein and are actually being paid by the institution at such rates plus a maximum of 50% of the total admissible allowances to similar staff in a Government institution of the same level.
9.	**Pondicherry**	No rules are framed as there is no private college in this Union Territory.

CHAPTER EIGHT

State-Financing of College Education: A Review and Suggested Reform

Introduction

In the previous chapter, an attempt was made to examine the trends in financing of college education. In the present chapter, it is proposed to review the system of State financing of college education in India. In the background of this discussion, some suggestions are made for reforming the institutional framework for governmental assistance to colleges.

On going through the salient provisions of the State Grants-in-Aid Codes for colleges in different States and Union Terriotories, one is struck both by their variety in respect of some aspects and similarity with regard to other crucial aspects. Similarity is seen with regard to the concern that the grantor State Governments are showing about the utilisation of the grant amount and other funds by the grantee colleges on the stipulated objectives. Similarity is also seen with regard to the implicit desire of State Governments to exercise control over the financial and extra-financial aspects — also educational aspects — of the activities of colleges receiving grants. On the other hand, a large degree of variety is observed with regard to the detailed procedures of implementation of the grant code, the degree of generosity implied in these procedures and the extent of flexibility. The purpose of the present chapter is to develop a framework for grasping the differentiating features of the States' codes of grant-in-aid to colleges and to suggest guidelines for a 'model' but not necessarily, a uniform code of grants-in-aid.

States' Grants-in-Aid Codes

Some States do not have well-formulated codes for releasing grants to colleges, and grants are made arbitrarily as per the judgement of the Government official regarding the requirements of the college. On the other hand, most of the States have formulated such codes. Different grant-in-aid codes can be analysed with reference to the following heads :

(i) Eligibility conditions.
(ii) Estimation of the magnitude of grants.
(iii) Areas of control exercised on the colleges through the code.

Eligibility Conditions

Apart from the college being affiliated to the University in the State, it should also satisfy other conditions if it is to be eligible for grants. Thus, there is a time restriction — a college started with a prior approval from the Government continuing in existence for not less than one year (M.P.) to five years (for General Colleges but three years for professional colleges as in the case of Orissa), only can be considered eligible for state grants. 'State patriotism' is sometimes another eligibility condition in the sense that the grantee should not prepare candidates for examinations held in another State (Rajasthan). Mostly, State Governments have insisted upon the Government representatives being on the managing committees of the colleges. In some States, as many as three of the seven members of the Committee ought to be a nominees of the Government (e.g. Manipur). The main questions one has to consider while designing a model code for all the States are : (i) Should eligibility condition refer only to the years of existence of the college or in addition, the minimum student strength can also be considered along with the time factor? (ii) Can eligibility condition be used as a policy tool for educational planning? Thus, the authorities can vary the eligibility condition depending upon the policy of promoting particular types of education, if the eligibility condition is used as a policy tool. For example, a certain pass percentage for a college is prescribed if it is to be eligible for grant (Manipur). This may be varied for different subjects if eligibility condition is to be a planning tool.

Estimation of Magnitude of Grants

Different bases have been adopted by the State Governments in estimating the quantum of grants-in-aid to colleges : (a) Expenditure, (b) Deficit, i.e. expenditure in excess of income and (c) Emolument and *per capita* grant estimate. The scope of grant also differs from State to State. For some States, grants to colleges are made to meet a portion or hundred percent of the expenditure or the deficit in connection with only all salaries, only teachers' salaries or separately for different items like staff salaries, laboratory, library, building maintenance, etc.

The deficits are worked out by considering only approved expenditures and approved incomes. There is no uniformity in the definition of admissible or approved expenditure or approved income.

The major points to be noted in this connection are as follows :

(i) Normally, staff salaries — teaching and non-teaching staff — are considered as admissible expenditure. However, staff strength that is admissible is worked out as per certain norms laid down by the State Governments.

(ii) All allowances, contributions to P.F., etc. are also admissible. In the case of Goa, Daman and Diu, even the premium on LIC policy upto the value of Rs. 5,000/- is also treated as admissible.

(iii) Only a percentage of non-salary expenditures on admissible items is considered relevant for the purpose of calculating grants.

This percentage is varied according to the subject-faculty of the college (e.g. Science, Arts or Combined), or the number of students. Sometimes, only specified sums of non-salary expenditures are treated as admissible.

(iv) Rent of the building, repairs and maintenance of the building are sometimes considered admissible (e.g. Maharashtra) and sometimes, non-admissible (e.g. Meghalaya).

(v) So far as the income side is concerned, by and large, fee income at standard rates or 'notional' rates are considered and not actual rates, wherever the former are above the latter.

(vi) Interest on funds, endowment income and donations are taken into account under the income.

Thus, while the practice followed with regard to fees might lead to raising of fees upto the 'standard' rate, the practice with regard to endowments, etc. under the deficit grant system, suggests an *in-built disincentive for mobilisation of funds through this private source.*

(vii) For calculating the deficit, approval income and expenditure of the *previous year are considered.* There is no uniformity as to whether the twelve months belong to the financial year or to the previous year (previous twelve months as in Tripura). Sometimes, previous year and current year are combined, referring to different items of expenditure (e.g. Maharashtra). In the case of Delhi code, however, deficit for the same year is the basis for grants.

(viii) For the purpose of grants, institutions are categorised sometimes according to single characteristics (enrolment or faculty), or according to multiple characteristics (as in case of Rajasthan). While it is necessary to take into account several aspects of the institutions of higher education, and hence multiple-characteristic-categorization is desirable, it is not clear how a combined index of these characteristics is prepared so that institutions can be graded in an unambiguous way. The grant-in-aid codes are silent on this issue.

(ix) Income from hostels is normally not diverted to meet the deficits of colleges.

Grants-in-aid codes of some States stipulate that a certain percent of incomes of colleges should be set aside for the purpose of non-salary expenditures like scholarships, furniture and equipment, libarary, etc. However, the rationale behind fixing this percentage is not explained. It is not clear whether State Governments have estimated the non-salary expenditure per student on the basis of some *ad hoc* studies.

Thus, the above discussion about the methods of estimation of grants suggests that the practice followed in different States/UTs is not satisfactory and allows much scope for reform. The grant-in-aid codes are also not clear (except in the case of Delhi) about the timing of the release of the grants.

Areas of Control through Grant-in-aid Codes

Through the grant-in-aid code, State Governments propose to control the grantee colleges with respect to several aspects, like enrolment, appointment of teachers, their qualifications and their activities, financial pattern, physical facilities, composition of the management, standard of academic efficiency, preference to scheduled castes and scheduled tribes in the matter of appointments (M.P.) and admissions and scholarships paid, employment of students of the college in the work of the libraries and gardens (Tamil Nadu), types of examinations for which students have to be prepared by the college (Rajasthan), performance in examinations, etc. Thus, obviously the State's control extends from financial aspects to academic and internal management of the institution also.

This poses certain fundamental issues :

(i) Should the grant-in-aid code be used as an instrument of control of academic activities also, in addition to the financial aspects of the colleges?

(ii) Should the State Governments at all exercise control over academic matters? Should not these matters be left to the University with which the college receiving state grants is affiliated? Ideally, the UCG, through the University, should have a control over the academic activities and standards of the college. The grant-in-aid codes of the States do not make any reference at present to the UGC or the University as a coordinating agency in academic matters.

(iii) What is the desirable degree of control over the grantee colleges with regard to academic and financial aspects? At present, the degree of control as reflected by the conditions laid down in the code, varies from State to State.

Model Code of Maintenance Grants for Colleges affiliated to State Universities : Some Guidelines

In the background of the above discussion of grant-in-aid codes of different States, we may lay down some general guidelines for evolving a model and uniform code for all the States. More important guidelines are as follows :

(i) The code must be simple.

(ii) There should be only two major heads of grants, viz. Revenue Account Grants and Capital Account Grants.

(iii) The grants must be deficit-based and 100 percent of deficits must be met from grants.

(iv) Deficits must be worked out for the *current year* for which grants are to be made (as in the case of maintenance grants to Delhi colleges).

(v) Deficits must be worked out on the basis of unit costs (or desirable per student expenditures) and enrolment projections for the year for which grants are to be made.

(vi) Items of expenditure and items of income which are admissible for calculating the deficits, must be clearly laid down and there should not be any scope for ambiguity in this regard.

(vii) The code must recognise the financial implications of the UGC developmental grants made to the grantee institutions.

(viii) The codes at present normally aim only at provision of physical facilities in colleges. However, it is necessary to ensure a fuller and proper utilisation of the facilities so created. The model code must lay down a condition to this effect that before a request for grants for the next year is entertained, the utilisation of facilities shall be assessed.

(ix) The code should not aim at undue restrictions on the college's academic activities, which should be looked into by the UGC through the Universities.

(x) Endowment and donations should not be included under income while calculating deficits. Such a provision is needed to safeguard against the grant code acting as a disincentive for mobilisation of funds through donations and endowment income. At the same time, it is necessary to specify (as in case of the grant-in-aid code of Manipur) as a condition of eligibility that no donation should be charged by the college on a compulsory basis from the students for their parents.

(xi) That adequate library, laboratory and other facilities are created in the college must be ensured through the norms per student expenditure on these various items, which should be taken into account while calculating deficits. It is also necessary to specify physical norms in addition to the expenditure norms, since while, by and large, physical norms might be invariant throughout the country and throughout different regions within a State, expenditure norms vary in view of inter-regional price variations. Such expenditure norms may also have to be changed from time to time for the same reasons.

(xii) Expenditure norms should be different for full-time students and external students. The relevant figure for enrolment of full-time or external students should refer to the higher of the two figures as on 1st August and 1st November of every year.

(xiii) The code should specify that the entire income from hostels, auditoria and auxiliary activities like the press, computer etc. (if owned by the colleges) should not be considered as admissible income while computing the deficit. In the case of hostels, no income should be transferred to college funds. In the case of auditoria and other facilities, only a percentage of income should be treated as transferable to college funds, ensuring that these facilities are maintained at particular standards.

(xiv) The grant-in-aid code should clearly lay down the mode and time-schedule of release of the grant. The Delhi grant-in-aid code is quite specific about this aspect. However, instead of four instalments through which the grants are required to be released as per the Delhi code, involving considerable paper work and delays, it is necessary to specify that the grant should be released only in two instalments. The first instalment should be released in June, and it should be 50 percent of the grant claimed during the previous year. The second instalment to be released in November-December should be the residual amount, viz. the actual grant for which the college is eligible during the current year minus the amount which has been already released in June. When the college applies for the second instalment of the grant, all the relevant calculations based upon the actual enrollments would be readily available. The present practice of some States about the release of the grant (sometimes even announcement of the grant followed by release), in the fag end of the financial year introduces an element of uncertainty in the financial planning of academic activities and unplanned and hurried disbursement of funds by the colleges. It is also felt that larger the number of instalments of grants, greater the degree of uncertainty and smaller the scope for prudent expenditure.

Concluding Observation

As stated earlier, the above are only general guidelines for framing a model grant-in-aid code. The specific code for a particular State might incorporate additional features peculiar to that State.

CHAPTER NINE

Financing the Constitutional Commitment: Analysis of Trends and Suggested Reform

School education has been the single largest sub-sector of the entire sector of education in India. Fourteen out of every 100 Indians were found to be enrolled in schools in the country in recent years. The school student strength is practically equal to the total population of two bigger states of Maharashtra and Karnataka taken together. Nearly 98 percent of the total student population in the country was covered by the schools. More than sixty percent of total funds for education were spent on school education alone. More than eighty percent of direct expenditures on education was incurred on school education. Despite this large-scale enterprise, there are many unfulfilled tasks in the field of school education. Universal primary education for all children below 14 years — the Constitutional Commitment — has remained a distant dream. Obviously, school education is not a homogeneous sector. The problems of finance and inter-temporal trends therein markedly vary within the school stage — from primary stage to middle stage and high school stage. The largest number of structural reforms introduced in education are found to be with reference to the different stages of school education itself. For example, the reforms of free and universal education, basic education, multipurpose schools, 10 + 2 pattern, medium of instruction, etc., are primarily concerned with the school stage. From within the school sector, the primary school stage is obviously a significantly large and the most important stage. It is a stage wherein the degree of frustration on account of the non-fulfilment of targets has been the maximum. The resource requirements for the targeted tasks here have been so large that one starts entertaining doubts about the wisdom of stipulating the targets and the time horizon for their fulfilment. It is here that the educational finances have played the role of not only depicting the trends in educational reforms but also inducing certain educational reforms themselves. In the present chapter, an attempt is, therefore, made to briefly examine the trends and problems of financing primary education.

General Trends : A Comparative Perspective

The total expenditures on primary education have increased twelve times, from Rs. 37 crores to Rs. 446 crores, during the twenty-five year period, 1950-75. Though this is an impressive increase in itself in comparison with other stages of school education, it is the lowest. While direct expenditures on school education as a whole increased 19 times, high/higher secondary stage, 21 times and middle school stage, 44 times, those on primary stage increased only 12 times during this period. In the case of direct expenditure per student also, relatively less resource flow is witnessed in the case of primary education. While on middle schools per student expenditures increased 9 times, on high/higher secondary school and primary schools, they increased less than 4 times over 1950-75. Per student expenditure in the case of primary schools was less than the average for the entire school stage, and was almost one-third and one-tenth of per student expenditure in the case of middle school and high/higher secondary schools, respectively. In this respect also the position of primary stage seems to have worsened over the years. Despite the lower per student expenditures involved, total expenditures on primary stage have grown considerably less fast, as stated above. Why have the expenditures grown so unsatisfactorily in the case of primary schools? An examination of the flow of funds according to different sources may provide some insights in this connection.

Sources of Finance for Primary Education

In the following table, the shares of each source of direct expenditures on primary education are presented :

Shares of Different Sources (%)

Year	*Public Sources*	*Fees*	*Other Sources*
1950-51	93.3	2.3	4.4
1960-61	95.0	2.3	2.7
1970-71	96.6	2.0	1.4

Clearly, the dominant source of educational finance for the primary stage has all along been the public funds, and the role of the public source has been increasing over the years. The role played by other sources has been considerably declining. Since the direct expenditures on primary education have been practically met out of the public funds, it may be useful to look further into the different aspects of this source.

The public funds may be divided into government funds, local body funds and municipal body funds; the latter two may be clubbed together as local government funds. In 1950-51, the local government funds constituted nearly 25 percent of direct expenditures on primary education. By 1960-61 their share had declined to 15 percent. A decade later, their role declined still further to 10 percent. As against this, the government funds increased in importance from 68 percent in 1950-51 to 81 percent in 1960-61 and to 87 percent in 1970-71. Though conventionally, primary education has been taken to be the responsibility of lcoal governmental institutions, their declining share in the primary education finances only brings out the process of erosion of the decentralized system of educational finances.

The State Governments are the major governmental sources of elementary education. Only with Union Territories, the Central Government assumes responsibility. Nearly 42 percent to 49 percent of the education budget on revenue account of the States and Union Territories goes towards elementary education (of which primary education forms a major part). While this percentage was 42 in 1968-69, it increased to 46 percent in 1974-75. Thereafter, this percentage showed a gradually declining trend, reaching the figure of 44.3 percent in 1978-79. Only from 1980-81 onwards, it has again risen to around 49 percent. Nearly one-fifth of the entire State budget is spent on education and nearly half of the education budget is claimed by elementary education. Thus, primary education makes a big charge on the budgetary resources of State Governments.

Not all State Governments make such large expenditures. In 1968-69, Jammu & Kashmir, Punjab and Haryana spent less than one-third of their education budget on elementary education. States like Bihar, Gujarat, Karnataka and Nagaland spent more than half of their education budget on this item. Rest of the States spent between 40 percent to 45 percent of their education budget on elementary education. The picture has changed in 1982-83, when all the States spent more than one-third of their education budget on the first level education, though States like Jammu & Kashmir, Haryana and Punjab continued to spend the smallest share (around 32 percent to 39 percent).

There does not seem to be any systematic rationale in the allocation of education budget funds to the first level education. For example, we may consider the factors like a State's backwardness in respect of literacy level and primary educational level (entrolment ratio) as the basic factors of inducement (the need factor) for additional allocation to this level, and the State's capacity to mobilize revenues (indicated by the State per-capita income) and actual revenue efforts of the State (tax effort per-capita) as the indicators of the State's capacity to spend on this level, as the major determinants of the budgetary behaviour of the Government in respect of financing of elementary education. If elementary education's share in the state education budget is regressed on the above four factors, then we get the following results of this exercise :

Statistical Results for 1975-76

		Regression Co-efficients	*T Values*
1.	Constant	56.7035	—
2.	Literacy rate (1971) X_1	— 0.0209	— 0.0933
3.	Enrolment ratio (primary) X_2	0.2053	1.2152
4.	Per-capita Income (Rs.) X_3	— 0.0320	— 2.1302
5.	Tax effort (Rs.) X_4	0.1050	0.9249
		$R^2 = 0.3871$	
		$F = 1.8951$	

The above variables could explain only 39 percent of the variation in elementary education's share in the state education budget. The need factor indicated by literacy level did not prove to be a statistically significant variable. Only the enrolment ratio and per-capita income variables were statistically significant. However, the rôle of these factors seemed to be quite unexpected. For example, while the States with higher enrolment ratios tended to spend more on elementary education out of their education budget, the richer States tended to spend less. Thus, the higher enrolment ratio turned out to be a need factor operating in a different way, indicating a direct effect of larger enrolment ratios necessitating larger expenditures. The State Governments seem to be more concerned with meeting the current demands rather than taking a positive initiative to promote the demand for elementary education by spending more on this item, wherever elementary education is lagging behind. On the other hand, the promotional interest of poorer states seems to be quite a notable result. By and large, it may be observed that the states do not appear to be following any systematic logic in respect of their policy of financing first level education. This suggests a need for comprehensive rationale in respect of educational finances, particularly with regard to the policy of financing elementary education, in respect of which the state's responsibility cannot be overlooked.

Concluding Observations : Suggested Reforms

On the basis of the above brief analysis of the educational finances of the first level education, the following general observations can be made :

(i) Even though in line with the constitutional proclamation, the Government has been bearing a major portion of the expenditure on the first level education, an overall view of the funding policies of different State Governments shows that there is no systematic rationale in these policies. States with low literacy levels have not made efforts to spend more on this level. Even richer States have not mobilized funds for this purpose, even though they are capable of doing so. Thus, there seems to be a less serious and systematic approach on the part of the State with regard to the fulfilment of the Constitutional directive in this connection. Even though the problems of resource constraints cannot be overlooked, the policy lacks a unified and comprehensive perspective on the part of all the States. In view of the national commitment with regard to this level, it may be worth considering whether inter-State agreements can be reached about the flow of funds to the first level education, with a provision for inter-State cross subsidisation. The State in respect of which achievements regarding the universal elementary education are fairly satisfactory and the resources position is also satisfactory, might assist the backward states through inter-State loans for this purpose. In this connection, the Central agencies like the Planning Commission and the Finance Commission may have to take upon themselves the role of coordinating agencies for such inter-State agreements.

(ii) The role of endowments and donations for the purpose of financing the first level education has been very marginal and declining over the period. The measures to promote this source for the first level deserve serious consideration. In the field of first-level education (and also at the other levels), there is a system of dualism, consisting of the rich institutions and the poor institutions. The rich private schools charge exorbitantly high fees even at the first level, with large donations made compulsory before granting admission to the children. The vast number of primary schools managed by the Government are run with inadequate finances, without any fees being levied on the students. This type of dualism may only go to create further forces of elitism within the system of education. The two sets of institutions function independently without any apparent common purpose, though the nation has a common purpose of fulfilling the constitutional commitment. Obviously, this lack of common concern on the part of the educational institutions does not fit in the background of a general failure with regard to the Constitutional commitment, as reflected by the frequent postponement of the deadlines. In this background, we suggest that there should be a mechanism of inter-institutional cross-subsidisation of first level education. The affluent institutions may be required to :

(a) Subsidise the less privileged low standard (from the point of view of facilities) institutions and

(b) Start low-fee institutions in the regions where the Government has not been effective so far.

(iii) The impression that the Constitutional commitment needs to be fulfilled only through the formal institutional framework does not seem to be well-founded. The formal framework has not proved to be adequate for the purpose as experience has shown. Hence, it is necessary to redefine the Constitutional directive in terms of the provision of specified knowledge content equivalent to the knowledge imparted through first-level education upto the age of 14 years, irrespective of the nature of the institutional agency involved for the purpose. For example, large educational resources available within the family or religious institutions may be adequately geared for the purpose of achieving this redefined target. Reforms like single-day schools, one hour schools, etc. may be appropriately considered within the formal framework.

(iv) Large financial resources can be saved within the educational sector itself by effecting economy measures and by introducing innovations in respect of teaching methods. The present system of school teaching is undoubtedly excessively expensive, with more emphasis on the large use of stationery and equipment and less emphasis on the use of faculties like grasping power, oral presentation, memory, etc. The expensive note books (class work, fair work, rough work for each subject) have replaced the cheap slate. The more effective but expensive oral communication and comprehension techniques have been discarded in favour of work books, charts, and other learning aids which are more expensive and not necessarily more effective. If the indigenous methods of teaching, with simple slate-chalk technology, are adopted, large resource savings can be effected within the field of school education itself. These savings can be mobilised for the purpose of providing additional facilities in the regions where they need to be urgently provided.

On the whole, there seems to be a great urgency for introducing innovations in the field of mobilization of finances from within the school system or educational system in general, and within the system of governmental funding policies. Innovations may be necessary in respect of teaching and learning techniques. The resources outside the formal system may have to be mobilised to a significant extent. Only with a concerted action, some progress can be made in the direction of the Constitutional directive of universal, free, first-level education.

Appendix

Table 1
Total Enrolments (Lakhs)

Year	*School*	*Post School*	*Total*
1950-51	234.95 (98.6)	3.31	238.26 (100)
1960-61	445.71 (98.2)	8.04	453.75 (100)
1970-71	769.41 (96.7)	24.17	793.58 (100)
1975-76	876.51 (96.6)	31.04	907.55 (100)
1977-78	965.39 (97.5)	25.07	990.46 (100)

Table 2
Total Expenditures (Rs. Crores)

Year	*School*	*Post School*	*Total Direct*	*Total Direct & Indirect*
1950-51	67.23 (58.8) (86.8)	10.30	77.46 (100)	114.38 (100)
1970-71	675.51 (60.4) (87.2)	99.00	774.51 (100)	1118.29 (100)
1975-76	1280.84 (60.9) (80.5)	310.27	1591.11 (100)	2104.70 (100)

Table 3
Direct Expenditure on School Education (Rs. Crores)

	Primary	*Middle*	*High/Higher Secondary*	*Total School*
1950-51	36.48 (54)	7.70 (12)	23.05 (34)	67.23 (100)
1960-61	73.45 (40)	42.92 (23)	68.91 (37)	185.28 (100)
1970-71	234.57 (35)	170.94 (25)	270.00 (40)	675.51
1975-76	446.31 (35)	340.97 (26)	493.56 (39)	1280.89 (100)

Table 4

Per Student Expenditure

	Primary		*Middle*		*High/H.S.*		*Total*	
	Enrolment (lakhs)	*Expenditure per student (Rs.)*	*Enrolment (lakhs)*	*Exp. per student (Rs.)*	*Enrolment (lakhs)*	*Exp. per student (Rs.)*	*Enrolment (lakhs)*	*Exp. per student (Rs.)*
1950-51	191.55	19.04	31.20	24.68	12.20	188.93	234.95	28.61
1960-61	247.33	29.69	67.04	64.02	28.73	239.85	343.10	54.00
1970-71	570.45	41.12	133.15	128.38	65.80	410.33	769.41	87.80
1975-76	656.60	67.97	160.24	212.78	74.24	664.82	891.08	143.95

CHAPTER TEN

A Postscript

In this chapter, we make some general observations arising out of our study of trends in educational finances presented in the previous chapters.

The educational reforms without adequate financial support may prove to be a disappointing failure, howsoever well they are conceived. Indian experiences with regard to the basic education reform and the reform of compulsory universal first-level education bear ample testimony to the validity of this statement. Given the general resource constraints, the education sector cannot expect to receive satisfactorily growing resource allocations. This suggests that the sector has to mobilise internal funds from cost savings and achieving a longer mileage through more efficient utilisation of the available funds. The educational sector has to try a number of financial reforms within itself in order to augment its funds.

With regard to certain own sources of finance like fees, the education sector has a frustrating experience, mainly on account of the pressure group tactics and non-educational consideration. Change of heart seems to be the only way out to avoid frustration in this respect. A suitable subsidy policy may overcome the regressivity of the fees even when fees are raised. Other innovations with regard to the fee rate such as the suggested reform of postponed fees may be given a fair trial.

The education sector has not displayed any innovativeness and initiative with regard to the private charities as a source of funds for education. Serious efforts in mobilising this source are called for, if education's dependence on the governmental sector has to be avoided. The dichotomy between the agents for financing of education and those for utilisation of the skills created through education needs to be avoided. The employing agencies may also be made to share the educational costs of their employees.

The public sources of finance may not play a uniformly large role in respect of all types and levels of education. The complexity of the system of public finances for education, the negative externalities involved in excessive dependence of the educational sector on government finance, the gradual concentration process in public finances for education, (i.e. the increasing role of the central government in financing and control of education) are some of the notable features of the public sources of finance for education.

Despite innovations within the various sources of finance, the educational sector may not be able to mobilise adequate funds unless non-formal and unconventional sources are tapped. The relevance of such sources as family educational resources, religious institutions, etc. can be appreciated, particularly with respect to school education.

The financial crisis of the first level education seems to have a larger width and breadth, while that of higher educational sector has greater depth. This means that, by and large, financial tensions are felt with regard to the policy of expansion of facilities in respect of school education, while such tensions are felt more for the improvement of facilities in higher education, particularly universities.

At the school level, serious efforts need to be made to introduce the cost–saving teaching-learning methods to save resources for the educational sector as a whole. This reform is necessary, particularly at the primary and middle school levels.

Inter-state financial cooperation in respect of the realization of the universal first level education in the country may be explored.

Further Research Possibilities

1. Students of educational finance face a great difficulty in respect of the detailed time-series and cross-section data. The documentational and data collection efforts in this connection need to be strengthened, particularly at the governmental and institutional levels.
2. The profile of the utilisation of physical facilities in the educational institutions may be developed to help the policy for a more efficient utilisation of physical resources within the education sector.
3. A detailed study of the private sources of finance, particularly endowments and charities, may be initiated. At present, this source of educational finance has not received the attention it deserves.

4. A study for the simplification and rationalisation of the system of public financing of education (especially the grant-in-aid system) may be initiated, in order to make it a model of public financing with minimum negative externalities.
5. A serious research attempt at the construction of the educational price index number is necessary for the purpose of suitable inflation accounting of educational finances.

APPENDIX

SELECTED STATISTICS ON EDUCATIONAL FINANCES

Table 1

Total Expenditure on Education by Sources All India 1950-51 to 1975-76

(Rs. in crores)

Year	*Government Funds*	*Local Body Funds*	*University Funds*	*Fees*	*Endowment & other Sources*	*Total*
1	*2*	*3*	*4*	*5*	*6*	*7*
1950-51	65.27	12.50	—	23.33	13.29	114.38
1951-52	70.39	13.92	—	26.97	13.29	124.56
1952-53	80.23	13.52	—	29.71	14.19	137.64
1953-54	85.40	14.51	—	32.91	14.92	147.74
1954-55	98.85	15.09	—	35.34	15.73	165.01
1955-56	117.21	16.36	—	37.90	18.20	189.66
1956-57	132.04	15.14	—	40.10	19.02	206.29
1957-58	157.90	17.18	—	43.64	21.94	240.65
1958-59	177.56	16.50	—	48.42	23.67	266.15
1959-60	202.31	19.71	—	52.70	25.69	300.40
1960-61	234.09	22.49	—	59.03	28.77	344.38
1961-62	271.84	26.19	—	65.61	32.72	396.36
1962-63	302.48	29.64	—	73.77	35.86	441.75
1963-64	334.49	28.97	—	82.36	38.29	484.11
1964-65	372.45	31.21	6.06	88.56	26.23	534.51
1965-66	437.45	38.87	6.32	97.94	41.44	622.02
1966-67	495.56	38.43	6.38	109.50	47.95	697.88
1967-68	583.11	44.76	7.55	117.15	58.73	811.31
1968-69	658.04	43.15	11.12	126.49	59.57	898.37
1969-70	763.88	37.57	12.40	134.17	62.37	1010.38
1970-71	845.95	48.49	15.22	143.24	65.39	1118.29
1971-72	938.72		N.A.			1285.21
1972-73	1051.15		N.A.			1373.78
1973-74	1311.00		N.A.			N.A.
1974-75	1452.85		N.A.			1807.28
1975-76	1652.31		N.A.			2104.70
1977-78	2315.00		—			—
1978-79	2658.00		—			—
1980-81	3746.00		—			4688.00 (est)

Table 2

Growth of Total Direct Expenditures by Type of Institutions — All India 1951-1976

(Rs. in crores)

Year	*Primary Schools*	*Middle Schools*	*High/Higher Secondary Schools*	*General Education, Degree & P.G. Standard only*
1	*2*	*3*	*4*	*5*
1950-51	36.48	7.70	23.05	6.45
1960-61	73.45	42.92	68.91	20.35
1961-62	82.67	48.84	79.12	22.99
1962-63	92.94	55.51	91.54	25.44
1963-64	99.01	61.33	105.54	28.41
1964-65	108.71	71.84	117.34	32.64
1965-66	128.72	84.28	137.69	37.31
1966-67	144.46	96.58	161.60	45.04
1967-68	170.55	114.81	192.62	54.54
1968-69	186.27	131.93	217.98	67.59 £
1969-70	208.97	152.87	243.63	78.86 £
1970-71	234.57	170.94	270.00	94.18 £
1971-72	257.99	188.47	300.57	109.84 £
1972-73	289.86	210.47	331.85	122.61 £
1973-74	—	—	—	—
1974-75	384.86	292.64	436.99	154.73 £
1975-76	446.31	340.97	493.56	175.64 £
1976-77	543.00	412.10	605.10	

Table 2 *(Contd.)*

Growth of Total Direct Expenditures by Type of Institutions — All India 1951-1976

Rs. in crores)

	Professional Education (De. & P.G. Standard)				
Year	*Engg., Tech. & Architecture*	*Medicine* (Allopathy)*	*Agri-culture Forestry*	*Veterinary Science*	*Teachers' Training Colleges*
	6	7	8	9	10
1950-51	1.12	1.49	.45	.44	.35
1960-61	4.56	5.90	1.42	.65	2.15
1961-62	5.51	6.88	1.53	.77	2.58
1962-63	6.64	7.93	1.73	.86	3.33
1963-64	7.69	9.14 +	1.84	.97	3.62 £
1964-65	7.84	9.18 +	2.29	1.06	2.12
1965-66	8.05	11.34 +	2.64	1.26	2.73
1966-67	—	—	—	—	3.33
1967-68	—	—	—	—	3.70
1968-69	—	—	—	—	4.21
1969-70	—	—	—	—	4.30
1970-71	—	—	—	—	4.82
1971-72	37.26	27.24	6.71 £	3.99 £	13.99
1972-73	40.67	29.79	7.94 £	4.11 £	14.74
1973-74	—	—	—	—	—
1974-75	51.34	37.90	11.16 £	5.14 £	18.83
1975-76	55.32	43.30	11.79 £	5.40 £	18.81

N.B. Break-up of total expenditure on Professional Education by type is not available for the period 1966-67 to 1970-71.

£ Data relate to Degree, Post-Graduate & Under-Graduate standard institutions.

* Excluding Dentistry, Nursing, Pharmacy and Public Health.

+ Includes Nursing Dentistry, Public Health & Pharmacy.

Table 3

Total, Direct Expenditure by Type of Institutions for General Education — States & Union Territories 1970-71 and 1975-76

(Rs. in crores)

States/Union Terriotories	*Primary Schools*		*Middle Schools*		*High/Higher Sec. Schools*		*Colleges for General (Post-Graduate, Degree & Under-Graduate Standard)*	
	1970-71	*1975-76*	*1970-71*	*1975-76*	*1970-71*	*1975-76*	*1970-71*	*1975-76*
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
1. Andhra Pradesh	18.95	34.73	5.82	14.03	18.21	31.92	12.07	20.59
2. Assam	8.14	14.05	3.97	5.91	6.51	9.59	2.42	3.90
3. Bihar	12.48	29.20	7.81	20.42	8.04	16.59	5.46	10.74
4. Gujarat	5.29	10.68	18.76	40.75	15.58	27.45	5.01	9.37
5. Haryana	3.12	7.08	2.13	3.66	7.20	13.77	2.22	3.42
6. Himachal Pradesh	3.25	4.44	3.06	5.54	5.00	7.94	56	.87
7. Jammu & Kashmir	1.71	2.80	1.41	3.83	2.82	4.47	.88	1.25
8. Karnataka	7.84	15.67	14.12	30.51	10.31	15.63	4.83	13.81
9. Kerala	14.97	29.81	1.40	28.08	18.91	43.86	5.78	12.61
10. Madhya Pradesh	20.55	39.64	9.94	18.68	17.79	23.44	4.60	7.47
11. Maharashtra	20.57	38.91	41.84	70.08	40.77	71.50	10.95	21.08
12. Manipur	2.12	3.24	.64	.82	.97	1.69	.34	.85
13. Meghalaya	.56	1.06	.21	.48	.22	.75	—	.56
14. Nagaland	.69	1.56	.55	1.08	.38	.68	.13	.18
15. Orissa	10.01	22.51	3.69	8.79	6.17	11.15	2.25	5.52
16. Punjab	6.98	13.21	3.50	7.88	11.87	24.16	3.88	6.14
17. Rajasthan	12.61	19.23	7.28	19.70	10.46	20.12	3.61	5.70
18. Sikkim	—	.24	—	.10	—	.19	—	.06
19. Tamil Nadu	25.10	43.45	15.48	25.83	22.71	42.23	7.55	13.56
20. Tripura	1.35	2.05	.92	1.43	1.36	2.41	.30	.48
21. Uttar Pradesh	27.28	65.45	8.83	21.88	29.18	63.38	7.90	14.16
22. West Bengal	23.96	33.45	3.31	4.73	25.52	32.79	7.45	11.47
23. A & N Islands	.21	.46	.11	.44	.16	.55	.01	.06
24. Arunachal Pradesh	.22	.57	.10	.18	.20	.27	.03	.18
25. Chandigarh	.11	.21	.13	.15	.49	.94	.53	.89
26. Dadra & Nagar Haveli	.04	.10	.05	.01	.03	.04	—	—
27. Delhi	5.24	9.14	2.53	3.89	12.62	21.99	4.69	9.50
28. Goa, Daman and Diu	.94	1.29	.34	.39	1.09	2.36	.32	.46
29. Lakshadweep	.03	.14	.04	.16	.05	.18	—	.06
30. Mizoram	—	1.27	—	.83	—	.63	—	.13
31. Pondicherry	.25	.66	.29	.60	.37	1.19	.40	.62
INDIA	234.57	446.31	170.94	340.97	170.00	493.56	94.18	175.64

Table 4

Percentage of Educational Expenditure of Education Department to Total Budget (Revenue Account)

Year	*State/Union Territories*	*Centre*	*Total*
1967-68	19.8	1.6	11.9
1968-69	20.2	2.0	12.5
1969-70	20.5	2.3	13.0
1970-71	21.4	2.8	14.1
1971-72	20.3	2.5	13.4
1972-73	19.8	2.4	12.6
1973-74	20.6	2.0	13.0
1974-75	23.2	2.1	14.1
1975-76	22.9	2.0	13.7
1976-77	22.7	2.3	13.8
1977-78	21.4	2.1	12.7
1978-79	21.8	2.2	13.1

Table 5

Outlay and Expenditure on Education in the Five Year Plans

(Rs. in Crores)

Five Year Plan	*Outlay (O)*	*Expenditure (E)*
First Five Year Plan	170 (7.2)	153 (7.9)
Second Five Year Plan	277 (6.2)	273 (5.8)
Third Five Year Plan	560 (7.5)	589 (6.9)
Fourth Five Year Plan	822 (5.2)	786 (5.0)
Fifth Five Year Plan	1284 (3.3)	930 (3.2)
Sixth Five Year Plan	2524 (2.6)	2835 (2.6)

Note : In parentheses percentage to total plan Outlay/Expenditure is given.

Table 6

Expenditure of Education in the Five Year Plans

(Rs. in Crores)

Five Year Plans	*At Current Prices*	*At Constant (1970-71) Prices*	*% of Total Plan Outlay*
First Five Year Plan	15.3	30.4	7.9
Second Five Year Plan	27.3	52.6	5.8
Third Five Year Plan	58.9	96.6	6.9
Fourth Five Year Plan	78.6	76.4	5.2
Fifth Five Year Plan	91.2	58.5	3.3
Sixth Five Year Plan	283.5*	104.7	2.6
Seventh Five Year Plan +	638.3	189.4	3.6

Note: (a) * Includes 'Actual' Expenditure for the first 3 years, 'Revised' Expenditure for 1983-84, and outlay for 1984-85.

(b) + Outlay (Draft)

Source: Five Year Plan Documents, Planning Commission, Government of India, New Delhi.

Table 7

Plan and Non-Plan Expenditure on Education in India (1950-51 to 1980-81)

(Rs. in Crores)

	Plan Expenditure	*Non-Plan Expenditure*	*Total*
1950-51	20 (28)	51 (72)	71 (100)
1960-61	90 (38)	144 (62)	234 (100)
1965-66	178 (41)	259 (59)	437 (100)
1970-71	115 (14)	731 (86)	846 (100)
1973-74	225 (17)	1086 (83)	1311 (100)
1977-78	324 (14)	1991 (86)	2315 (100)
1978-79	413 (16)	2245 (84)	2658 (100)
1980-81	520 (14)	3226 (86)	3746 (100)

Table 8

Household Expenditure on Education in India (1970-71 to 1982-83)

	Total (Rs. in Crores)		*Per Capita (Rs.)*		*Total as % of GNP*
	At Current Prices	*At 1970-71 Prices*	*At Current Prices*	*At 1970-71 Prices*	
1970-71	896	896	16.6	16.6	2.5
1971-72	992	930	17.9	16.8	2.5
1972-73	1092	964	19.3	17.0	2.5
1973-74	1280	1034	22.1	17.9	2.4
1974-75	1171	846	19.7	14.3	1.9
1975-76	1253	844	20.6	13.9	1.9
1976-77	1597	927	25.7	15.0	2.2
1977-78	1515	866	23.9	13.7	2.4
1978-79	1523	790	23.5	12.2	2.2
1979-80	1712	812	25.8	12.2	2.3
1980-81	1928	817	28.4	12.0	2.1
1981-82	2163	843	31.2	12.1	2.1
1982-83	2568	896	36.2	12.6	2.1

Source: National Accounts Statistics (various volumes), C.S.O.

Table 9

State-wise and Sector-wise Budgeted Expenditure on Education 1974 and 1979 (Figures in Thousand Rupees)

States/Union Territories	Technical Education		Sports & Youth Welfare		Other Educational Programme		Total	
	1973-74 (Actual)	1978-79 (B.E.)	1973-74 (Actual)	1978-79 (B.E.)	1973-74 (Actual)	1978-79 (B.E.)	1973-74 (Actual)	1978-89 (B.E.)
1	2	3	4	5	6	7	8	9
1. Andhra Pradesh	25,378 (3.0)	45,607 (2.7)	9,272 (1.0)	15,730 (0.9)	10,620 (1.2)	89,373 (5.4)	8,74,307	16,67,561
2. Assam	6,696 (2.0)	16,830 (2.9)	3,554 (11.2)	11,133 (1.9)	31,554 (9.8)	17,127 (3.4)	3,20,967	5,77,564
3. Bihar	17,703 (2.3)	30,251 (2.1)	7,527 (1.0)	15,002 (1.0)	16,439 (2.1)	13,851 (2.1)	7,78,070	14,72,460
4. Gujarat	20,962 (3.5)	29,920 (3.0)	—	18,441 (1.4)	35,813 (6.0)	35,080 (2.6)	5,95,899	13,21,988
5. Haryana	7,105 (3.0)	12,743 (2.8)	6,592 (2.7)	15,774 (3.4)	2,974 (1.2)	6,230 (1.3)	2,40,208	4,61,399
6. Himachal Pradesh	1,291 (0.8)	2,229 (0.8)	2,995 (2.0)	6,366 (2.2)	1,731 (1.1)	3,719 (1.3)	1,53,705	2,86,745
7. Jammu & Kashmir	890 (0.6)	5,172 (1.9)	2,194 (1.5)	8,556 (3.2)	641 (0.4)	2,006 (0.7)	1,48,820	2,69,898
8. Karnataka	21,129 (3.0)	29,510 (3.5)	14,590 (2.1)	26,767 (1.9)	11,917 (1.7)	20,898 (1.4)	6,87,469	14,08,400
9. Kerala	22,883 (2.8)	67,676 (4.1)	8,388 (1.0)	20,899 (1.3)	4,487 (0.6)	7,839 (0.5)	8,23,458	16,45,370
10. Madhya Pradesh	31,573 (4.0)	49,989 (3.8)	9,079 (1.2)	13,646 (1.0)	8,186 (1.0)	15,022 (1.2)	7,74,389	13,09,913
11. Manipur	604 (1.1)	1,512 (2.0)	1,356 (2.4)	3,009 (3.9)	1,458 (2.6)	2,264 (3.0)	56,554	76,674
12. Maharashtra	54,185 (3.8)	79,079 (3.3)	21,642 (1.5)	30,660 (1.3)	72,925 (5.1)	1,05,625 (4.4)	14,32,314	24,14,123
13. Meghalaya	270 (0.8)	884 (1.4)	870 (2.6)	3,237 (5.1)	849 (2.6)	1,781 (2.8)	33,041	63,261
14. Nagaland	1,404 (3.6)	1,551 (2.0)	1,689 (4.3)	4,458 (5.7)	1,369 (3.5)	2,071 (2.6)	39,172	78,308

Note:— Figures in parentheses indicate the percentage to total budgeted expenditure.

* Included under Other Educational Programmes.

Table 10

State-wise Total & Budgeted Expenditure on Education & Training — By Education and other Departments (Revenue Account) 1960-61 to 1978-79

(Rs. in Crores)

States/ Union Territories	Total Budget	Actual (1960-61)		Total Budget	Actual (1970-71)		Total Budget	Budgeted (1978-1979)	
		Budget on Education	Percentage		Budget on Education	Percentage		Budget on Education	Percentage
1	2	3	4	5	6	7	8	9	10
1. Andhra Pradesh	.09	.02	26.4	.30	.07	27.7	.80	.20	25.2
2. Assam	.04	.008	19.7	.12	.03	32.8	.25	.06	25.7
3. Bihar	.08	.02	23.1	.25	.05	21.0	.54	.17	31.2
4. Gujarat	.06	.01	21.4	.22	.05	21.5	.57	.16	27.6
5. Harayana	@	@	@	.09	.02	20.4	.28	.06	21.0
6. Himachal Pradesh	—	—	—	.02	.004	25.6	.14	.03	23.7
7. Jammu & Kashmir	.02	.002	19.2	.07	.0010	14.2	.20	.03	15.5
8. Karnataka	.09	.02	15.8	.25	.06	23.1	.66	.16	25.1
9. Kerala	.06	.22	33.8	.16	.07	39.7	.47	.18	38.9
10. Madhya Pradesh	.08	.02	26.1	.20	.06	29.3	.67	.16	24.2
11. Maharashtra	.13	.03	21.3	.46	.10	22.4	1.32	.28	21.4
12. Manipur	—	—	—	.02	.005	31.1	.006	.009	17.6
13. Meghalaya	*	*	*	.009	.002	18.6	.04	.007	16.9
14. Nagaland	—	—	—	.02	.003	12.3	.06	.008	11.2
15. Orissa	.06	.009	15.4	.14	.03	20.4	.40	.09	23.8
16. Punjab	.07	.01	21.0	.14	.03	23.2	.38	.10	27.0
17. Rajasthan	.05	.01	23.9	.22	.04	19.8	.50	.12	24.2
18. Sikkim	—	—	—	—	—	—	.02	.002	10.1
19. Tamilnadu	.10	.03	26.1	.32	.08	26.1	.73	.21	28.4
20. Tripura	—	—	—	.02	.005	31.1	.06	.01	21.6

Table 10 *(Contd.)*

State-wise total & Budgeted Expenditure on Education & Training — By Education and other Departments (Revenue Account) 1960-61 to 1978-79

(Rs. in Crores)

1	2	3	4	5	6	7	8	9	10
21. Uttar Pradesh	.15	.03	18.5	.41	.08	19.8	1.17	.31	26.3
22. West Bengal	.10	.02	21.8	.30	.07	24.4	.83	.21	24.8
23. A & N Islands	—	—	—	.01	.0003	4.8	.02	.003	13.0
24. Arunachal Pradesh	—	—	—	.01	.0009	6.1	.05	.005	10.0
25. Chandigarh	—	—	—	.008	.002	22.7	.02	.007	30.1
26. Dadra & Nagar Haveli	—	—	—	.0006	.0002	28.3	.003	.0007	27.9
27. Delhi	—	—	—	.06	.02	35.5	.14	.06	40.7
28. Goa, Daman & Diu	—	—	—	.01	.003	25.6	.04	.01	28.2
29. Lakshadweep	—	—	—	.002	.0002	16.2	.005	.001	20.5
30. Mizoram	—	—	—	*	*	*	.04	.006	14.1
31. Pondicherry	—	—	—	.008	.001	17.3	.02	.005	24.1
INDIA	.01	.003		3.87	.90	23.4	10.49	2.68	25.6

@ Included in Punjab.

* Included in Assam.

Table 11

Statewise and Sectorwise Budgeted Expenditure on Education 1974 and 1979

(Figures in Thousand Rupees)

States/ Union Territories	*Primary Education*		*Secondary Education*	
	1973-74 (Actual)	*1978-79 (B.E.)*	*1973-74 (Actual)*	*1978-79 (B.E.)*
1	2	3	4	5
1. Andhra Pradesh	3,89,378 (44.5)	7,15,646 (42.9)	2,79,742 (32.0)	5,05,865 (30.3)
2. Assam	1,33,567 (41.6)	3,60,109 (45.1)	1,03,501 (32.3)	2,04,341 (35.4)
3. Bihar	5,37,715 (69.1)	9,01,724 (61.2)	89,178 (11.5)	2,77,071 (18.8)
4. Gujarat	3,07,186 (51.5)	7,31,897 (55.4)	1,71,928 (28.9)	3,84,406 (29.1)
5. Haryana	63,370 (26.4)	1,82,009 (39.4)	1,35,203 (56.3)	1,85,871 (40.3)
6. Himachal Pradesh	75,592 (49.2)	1,38,974 (48.5)	59,672 (38.8)	1,02,155 (35.6)
7. Jammu & Kashmir	53,496 (36.0)	96,131 (35.6)	72,716 (48.8)	1,24,377 (46.1)
8. Karnataka	3,83,878 (55.8)	7,74,418 (55.6)	1,53,392 (22.4)	3,08,204 (21.9)
9. Kerala	4,60,422 (55.9)	9,26,112 (56.3)	2,09,039 (25.4)	4,28,485 (26.9)
10. Madhya Pradesh	3,80,488 (49.2)	6,34,566 (48.4)	2,62,254 (33.9)	4,69,127 (35.8)
11. Maharashtra	6,52,951 (45.5)	10,94,486 (45.3)	5,22,344 (36.5)	7,99,195 (33.1)
12. Manipur	30,561 (54.0)	33,667 (43.9)	13,107 (23.2)	20,510 (26.7)
13. Meghalaya	11,370 (34.4)	21,427 (33.9)	12,016 (36.4)	22,542 (35.6)
14. Nagaland	22,029 (56.2)	46,357 (59.2)	9,640 (24.6)	19,280 (24.6)
15. Orissa	1,36,372 (39.2)	3,31,256 (40.4)	1,28,883 (37.1)	3,13,454 (38.2)
16. Punjab	1,42,472 (30.4)	2,92,814 (36.1)	2,50,218 (53.4)	3,88,509 (47.9)
17. Rajasthan	3,18,492 (56.6)	5,92,326 (54.8)	1,56,507 (27.8)	3,02,255 (28.0)
18. Sikkim	N.A. (N.A)	5,449 (30.9)	N.A. (N.A.)	9,687 (55.0)
19. Tamil Nadu	4,42,050 (45.2)	8,24,039 (47.6)	2,90,805 (29.7)	5,86,770 (33.9)
20. Tripura	27,144 (37.9)	44,773 (38.4)	25,357 (35.4)	41,082 (35.3)

Table 11 *(Contd.)*

1	2	3	*4*	5
21. Uttar Pradesh	6,38,619 (49.1)	13,42,071 (52.5)	3,15,887 (24.3)	7,32,174 (28.7)
22. West Bengal	3,25,271 (38.6)	7,28,605 (39.1)	3,39,353 (30.2)	6,50,108 (34.9)
23. A & N Islands	5,154 (52.9)	15,604 (50.2)	3,558 (36.5)	10,456 (33.7)
24. Arunachal Pradesh	7,719 (77.1)	22,751 (65.1)	1,213 (12.1)	7,063 (20.2)
25. Chandigarh	5,058 (18.3)	11,163 (17.9)	3,072 (13.4)	7,157 (11.5)
26. Dadra & Nagar Haveli	1,081 (62.4)	3,799 (63.0)	384 (22.2)	1,603 (26.6)
27. Delhi	59,596 (21.4)	1,15,322 (21.3)	1,84,067 (66.2)	3,57,711 (66.1)
28. Goa, Daman & Diu	17,315 (34.3)	28,920 (32.9)	26,222 (52.3)	40,489 (46.1)
29. Lakshadweep	1,695 (49.1)	4,877 (49.1)	1,080 (31.3)	3,169 (31.9)
30. Mizoram	10,034 (37.5)	28,444 (54.3)	12,731 (47.6)	15,858 (30.3)
31. Pondicherry	10,917 (49.3)	22,522 (49.7)	5,472 (24.7)	11,841 (26.2)
Total	56,50,991 (47.2)	1,09,72,258 (47.9)	38,39,171 (32.1)	73,30,815 (32.00)

Table 11 *(Contd.)*

Statewise and Sectorwise Budgeted Expenditure on Education
1974 and 1979

(Figures in Thousand Rupees)

States/ Territories	Special Education		University & Other Higher Education	
	1973-74 (Actual)	1978-79 (B.E.)	1973-74 (Actual)	1978-79 (B.E.)
	6	7	8	9
1. Andhra Pradesh	9,787 (1.1)	7,466 (0.5)	1,50,128 (17.2)	2,87,874 (17.3)
2. Assam	5,457 (1.7)	10,604 (1.8)	36,638 (11.4)	57,420 (9.9)
3. Bihar	2,604 (0.3)	15,913 (1.1)	1,06,904 (13.7)	2,18,648 (14.8)
4. Gujarat	19,710 (3.3)	7,308 (0.6)	40,300 (6.8)	1,04,936 (7.9)
5. Haryana	291 (0.1)	3,050 (0.7)	24,673 (10.3)	55,722 (12.1)
6. Himachal Pradesh	853 (0.5)	2,341 (0.8)	11,671 (7.6)	30,961 (10.8)
7. Jammu & Kashmir	473 (0.3)	2,855 (1.1)	18,410 (12.4)	30,081 (11.4)
8. Karnataka	5,565 (0.8)	12,022 (0.9)	96,998 (14.2)	2,16,581 (15.4)
9. Kerala	10,201 (1.2)	16,327 (1.0)	1,08,038 (13.1)	1,78,032 (10.8)
10. Madhya Pradesh	6,079 (0.8)	868 (0.1)	76,730 (9.9)	1,26,695 (9.7)
11. Maharashtra	750 (0.1)	2,187 (0.1)	1,07,517 (7.5)	3,02,091 (12.5)
12. Manipur	965 (1.7)	2,985 (3.9)	8,503 (15.0)	12,727 (16.6)
13. Meghalaya	122 (0.4)	2,384 (3.8)	7,544 (22.8)	11,006 (17.4)
14. Nagaland	733 (1.9)	1,307 (1.7)	2,308 (5.9)	3,284 (4.2)
15. Orissa	3,550 (1.0)	9,190 (1.1)	43,733 (12.6)	1,01,510 (12.4)
16. Punjab	5,045 (1.1)	8,013 (1.0)	49,711 (10.6)	82,066 (10.1)
17. Rajasthan	5,599 (0.9)	11,681 (1.1)	65,019 (11.6)	1,24,455 (11.5)
18. Sikkim	N.A. (N.A.)	816 (4.6)	N.A. (N.A.)	300 (1.7)
19. Tamil Nadu	14,287 (1.5)	11,759 (0.7)	82,122 (8.5)	2,28,206 (13.2)
20. Tripura	4,745 (6.6)	8,974 (7.7)	4,273 (6.0)	9,556 (8.2)

Table 11 *(Contd.)*

States/ Territories	6	7	8	9
21. Uttar Pradesh	8,375 (0.6)	37,050 (1.4)	1,00,785 (7.8)	2,91,175 (11.4)
22. West Bengal	5,202 (0.6)	17,710 (0.9)	1,10,687 (13.1)	3,57,838 (19.2)
23. A & N Islands	2 (0.2)	167 (0.5)	384 (4.0)	1,455 (4.7)
24. Arunachal Pradesh	—	—	512 (5.1)	1,687 (4.8)
25. Chandigarh	225 (0.8)	538 (0.9)	9,400 (34.1)	8,714 (46.0)
26. Dadra & Nagar Haveli	10 (0.6)	61 (1.0)	—	—
27. Delhi	1,894 (0.7)	9,610 (1.8)	1,400 (0.5)	2,350 (0.4)
28. Goa, Daman & Diu	401 (0.8)	440 (0.5)	2,703 (5.4)	7,091 (8.1)
29. Lakshadweep	8 (0.2)	114 (1.1)	550 (15.9)	1,260 (12.7)
30. Mizoram	854 (3.2)	2,439 (4.6)	1,200 (4.5)	3,326 (6.4)
31. Pondicherry	38 (0.2)	233 (0.5)	3,480 (15.7)	6,512 (14.4)
Total	1,13,834 (1.0)	2,06,457 (0.9)	12,73,221 (10.6)	28,85,079 (12.6)

Table 12

Total Direct Expenditure by Type of Institutions for Professional Education (Selected Types) States and Union Territories: 1971-72 and 1975-76 (Post-Graduate, Degree & Undergraduate Standard)

(Rs. in Crores)

States/Union Territories	Engg. Tech. & Arch. Colleges		Professional Education Medicine*		Agriculture & & Forestry		Veterinary Sc.		Teachers Trg.	
	1971-72	1975-76	1971-72	1975-76	1971-72	1975-76	1971-72	1975-76	1971-72	1975-76
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh	2.77	3.52	2.39	2.74	.47	.50	.25	.32	.39	.92
2. Assam	.65	.94	.69	1.34	.11	.21	.010	.12	.04	.05
3. Bihar	2.56	3.26	.76	1.78	.31	.26	.17	.26	.81	1.10
4. Gujarat	2.72	4.20	1.40	2.25	.33	.58	.08	.15	.42	.59
5. Haryana	1.12	1.68	.69	.93	.31	.56	.26	.31	.21	.30
6. Himachal Pradesh	.26	.36	.28	.68	.12	1.09	—	—	.14	.15
7. Jammu & Kashmir	.28	.60	.27	.57	.06	.10	—	—	.40	.54
8. Karnataka	2.32	3.82	1.96	3.10	.23	.40	.12	.22	1.96	1.82
9. Kerala	1.45	2.52	1.44	2.09	.17	.41	.35	.50	.58	.53
10. Madhya Pradesh	2.63	4.74	1.17	2.10	.42	.54	.30	.28	1.58	2.89
11. Maharashtra	5.31	6.78	3.07	5.19	1.64	2.56	.20	.40	2.20	2.83
12. Manipur	.05	.08	—	.010	.005	.01	—	—	.62	.03
13. Meghalaya	.02	.03	—	—	—	—	—	—	.01	.02
14. Nagaland	—	.19	—	—	—	—	—	—	—	—
15. Orissa	.78	.99	.61	1.19	.16	.21	.06	.010	.34	.81
16. Punjab	1.60	2.41	1.13	2.20	.69	1.50	.19	.27	.42	.50
17. Rajasthan	.98	1.40	1.49	1.90	.48	.60	.17	.28	.62	1.10
18. Sikkim	—	—	—	—	—	—	—	—	—	—

Table 12 *(Contd.)*

Total Direct Expenditure by Type of Institutions for Professional Education (Selected Types) States and Union Territories: 1971-72 and 1975-76 (Post Graduate, Degree & Undergraduate Standard)

(Post Graduate, Degree & Undergraduate Standard)

(Rs. in Crores)

States/Union Territories	*Engg. Tech. & Arch. Colleges*		*Professional Education Medicine**		*Agriculture & Forestry*		*Veterinary Sc.*		*Teachers Trg.*	
	1971-72	1975-76	1971-72	1975-76	1971-72	1975-76	1971-72	1975-76	1971-72	1975-76
1	2	3	4	5	6	7	8	9	*10*	*11*
19. Tamil Nadu	3.21	4.59	4.25	6.41	.44	.25	.29	.39	1.05	.89
20. Tripura	.18	.17	—	—	—	—	—	—	.13	.17
21. Uttar Pradesh	3.11	4.48	1.07	1.80	.64	.53	1.32	1.81	1.56	2.44
22. West Bengal	2.92	4.47	1.28	1.54	.14	.16	.13	—	.87	1.15
23. A & N Islands	—	—	—	—	—	—	—	—	.01	.02
24. Arunachal Pradesh	—	—	—	—	—	—	—	—	.009	—
25. Chandigarh	.62	.90	—	—	—	—	—	—	.04	.06
26. Dadra & Nagar Haveli	—	—	—	—	—	—	—	—	—	—
27. Delhi	1.47	2.89	1.78	3.45	—	—	—	—	.14	.20
28. Goa, Daman & Diu	.12	.19	.61	.41	—	—	—	—	.05	.07
29. Lakhadweep	—	—	—	—	—	—	—	—	—	—
30. Mizoram	—	—	—	—	—	—	—	—	—	.007
31. Pondicherry	.04	.11	.90	1.58	—	—	—	—	.02	.002
INDIA	37.26	55.32	27.24	43.30	6.71	11.79	3.99	5.40	13.99	18.81

* Medicine excludes Dentistry, Nursing, Pharmacy and Public Health.

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